Daily Report

Latin America

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Cuba

U.S. Officials Want End to Hijacking Investigation

FL0701024093 Havana Radio Rebelde Network in Spanish GMT 93

[Text] Democratic Representative Robert Torricelli today asked President Bush to discontinue the Justice Department investigation of the hijacking of a Cuban airplane which was taken to the United States last week. Other bitter enemies of Cuba have joined Torricelli, among them: New Jersey Democratic Representative Robert Menendez, Florida Republican Representative Lincoln Diaz-Balart, and Florida Senator Connie Mack. The measure presented by Torricelli is an attempt to avoid prosecuting the authors of what is a true act of air piracy.

Report Details Efforts, Progress in Agriculture

FL0701122193 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 7 Jan 93

[Text] The second plenum of the Agricultural-Livestock and Forestry Workers Union was held today. The report delivered by Union Secretary General Salvador Valdes states that the livestock workers must respond to the effort being made to extend the Voisin Rational Grazing System. The deterioration of the cattle must be stopped, and mortality must be reduced. The livestock is still not being rotated through the pens efficiently, nor are the cane areas, which provide some of the feed, being tended properly. These deficiencies must be stressed, although provinces such as Guantanamo, Santiago de Cuba, and Las Tunas are already getting good results.

The report presents the progress made with tubers and vegetables and the 1,000 caballerias of bananas and plantains with the microjet irrigation system, which will provide 50 percent of what is harvested in the country this year. The importance of using biological fertilizers and pesticides, and increasing the use of animal power, was stressed. In the poultry industry, a shortfall of 500 million eggs was pointed out. This was caused by a lack of feed, and was not greater thanks to the hard work of the poultry workers.

The report shows how much this union has done during this period.

Roundup of Economic Activity Reported 1 - 4 Jan

FL0401032293

[Editorial Report] The following is a compilation of fileworthy reports on economic developments in Cuba carried on Havana radio and television in Spanish between 1 and 4 January.

Santiago de Cuba Province made important and unexpected strides forward in various sectors in 1992. The radio says that, among other things: The province exceeded its quotas during the last sugar harvest, and the harvest just begun is going well. The coffee harvest that is on the point of concluding has been one of the best in recent years. This is important for the economy because Santiago de Cuba Province is one of the largest coffee-producers in Cuba. The province produced an unprecedented 1.6 million tons of tubers and vegetables in 1992, although this is still not enough to meet needs. The province produced 2.5 million more liters of milk in 1992 than in 1991, and there were fewer livestock deaths. The latest food industry investments, such as the edible oil refining plant and the preserves factory, are already in production. Close to 2,000 tons of freshwater fish were caught. The citrus harvest was satisfactory. The infant mortality rate dropped to 10.8 per 1,000 live births. Despite the shortage of water, there were no epidemics. The medical-biophysics center, which builds nuclear magnetic resonance equipment, was completed. Important hydraulic projects are being effected with a view to improving the critical water supply situation, and 3,000 tourist rooms are being exploited. [Radio Reloj in Spanish 2030 GMT 1 Jan]

Cienfuegos Province increased income in hard currency from tourism by over $1 million in 1992, compared with the previous season. National Tourist Institute, Intur, installations in the province received about 105,000 foreign visitors. Tourism brought in $5 million in hard currency in 1992, and per capita spending by tourists increased to $53, which is almost triple the 1991 figure. There are seven regular weekly flights from Canada. Seventy percent of Intur operations in Cienfuegos are coordinated with Canada. Cienfuegos Province wishes to become a tourist site in itself for international tourism, rather than a transit point, as has traditionally been the case. The Cienfuegos Tourist Enterprise already has agreements with different tour operators for visits by some 130,000 visitors in 1993. The province has new special offers that should double current profits. [Havana Cuba Vision Network in Spanish 2320 GMT 1 Jan]

In Santiago de Cuba Province, in 1992, the food program sales to the state totaled 1.6 million quintals of tubers, vegetables, and grains: unprecedented figures which represent an increase of .5 million quintals in comparison to 1991. This is the result of an increase in irrigated areas and the introduction of biological pest control measures which benefited several crops. The development of biological technology also contributed to quickly obtaining high-quality seeds, a method which has boosted plaintain planting. Another food program success was the surpassing of the milk production goal by 2.5 million litters, a volume that does not meet population needs but which together with a reduction in cattle mortality shows progress made thanks to science and technology. The surpassing of the sugar production, and spring and winter sugarcane planting goals are new high marks in the province together with one of the best coffee harvests in the last decade, with over 50 million trees planted, a satisfactory citrus harvest, and a record of 1,900 tons of freshwater fish harvested. Water projects were prioritized in response to the severe drought which caused the depletion of the traditional sources of water to Santiago de Cuba. A program of

emergency measures was adopted that required the investment of a large amount of national resources and the construction of important projects. Santiago de Cuba Province continued developing as am important tourist destination with 3,000 rooms in use and the opening of appealing services which have increased the daily average number of tourists visiting Santiago de Cuba by between 700 and 1,000. The scientific hub incorporated new lines in strategic tasks such as the production of medical equipment, medicine, and seismology research. Public health reached the end of the year with its lowest infant mortality rate: 10.7 per 1,000 live births. The province was best in the national vaccination program and 20 new health services were inaugurated. The 1992 school year had one of its best results in Santiago de Cuba. The present period is progressing well and professional and technical education is being intensified with the opening of new polytechnic and trade schools which respond to the economic perspectives of the province. Relevant cultural event were held, particularly the cultural promotion efforts by community institutions and the increasing link between culture and tourism as a manner of earning hard currency. The province also made progress in its goal to be declared ready for the defense in the second phase and surpassed its goal in construction of civil defense tunnels. [Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 4 Jan]

Antigua and Barbuda

Cabinet Rescinds Bird Jr., Walker Appointments

FL0701002493 Bridgetown CANA in English 2140 GMT 6 Jan 93

[Text] St. John's, Antigua, Jan 6, CANA—The Antigua and Barbuda cabinet on Wednesday rescinded the appointments of former Public Works Minister Vere Bird, Jr. and former Army Chief Clyde Walker as consultants to the government, sources close to cabinet said.

Bird Jr. and Walker were censured by a government-appointed commission of enquiry for their roles in an illegal arms trans-shipment scandal that rocked Antigua and Barbuda three years ago. The arms from Israel ended up in the hands of Colombian drug barons. The commission had recommended that Bird, Jr., eldest son of Prime Minister Vere Bird Sr., be barred for life from holding public office. Walker's instant dismissal as Army chief was recommended.

Cabinet secretary Lounel Stevens, who earlier this week confirmed the rehiring of both men, could not be contacted Wednesday for a comment on the latest development. The sources said the view was expressed within cabinet that the applications for both appointments did not conform with cabinet procedure.

Bird, Jr. was hired as an advisor to the prime minister while Walker was appointed as a consultant in the Ministry of Aviation with responsibility for security matters at V.C. Bird International Airport. The political opposition here raised immediate objection to the appointments when the news broke. Neither Walker nor Bird, Jr. could be contacted for comment.

Haiti

Electoral Council Publishes Partial Candidate List

FL0601171293 Port-au-Prince Radio Soleil Network in Creole 1200 GMT 6 Jan 93

[Excerpts] The first point in the news this morning is that the electoral council has extended the deadline for the registration of candidates by 24 hours. According to the electoral calendar, candidates' registration should have ended on 5 January. The president of the electoral council, (Balthazar Saint-Phard Line) says the candidates asked for an extension of the deadline so they can come to complete their forms. [passage omitted]

According to a partial list of registration of candidates published by the electoral council, seven senate candidates—including Gregoire Eugene of the Haitian Social Christian Party and Marie-Denise Claude of the Haitian Christian Democratic Party—have already registered for the Department of the West. There is one in the Department of the Northeast. There are also three candidates for deputies in the Terrier-Rouge district; two senate candidates for the Department of the North; four candidates for deputies, including Francois Reynold Louis of the Cooperative Action Movement for the Saint-Raphael district; three senate candidates for the Department of the South; seven senate candidates for the Department of the Southeast; and two for the Department of Artibonite, namely Dejean Belizaire [current senate president] and (Francois Fouchard Bergromme). The new deadline for receiving candidacy statements is 6 January.

In a press release, the electoral council has published the number of Registration and Voting Offices [BIV's] established throughout the country for these elections: 569 BIV's for the Department of Grand'Anse, 615 for the Department of the South, 2,231 for the Department of the West, 433 for the Department of the Southeast, 963 for the Department of Artibonite, 484 for the Department of the Center, 718 for the Department of the North, 241 for the Department of the Northeast, and 296 for the Department of the Northwest.

CEP Extends Time Limit for Candidate Registration

FL0601224393 Port-au-Prince Tele-Haiti in French 1130 GMT 6 Jan 93

[Text] The exceptional Permanent Electoral Council has decided to extend until 8 January the time limit for registration of candidates for the legislative elections to renew one third of the Senate and four seats of deputies. This was announced during an interview with the president of the Departmental Electoral Office [BED], Mr. Ernst Dumerve, on Tele-Haiti on 5 January. Dumerve

assured the registered candidates that the electoral institution is not biased and that the elections will be honest. Until the afternoon of 5 January, nine statements of candidacy were registered at the West BED, Ernst Dumerve Patrick said before the microphone of Patrick Eliancy. Let us listen.

[Begin recording] [Dumerve] We have already received seven statements of candidacy. I take this opportunity to give you the names. First, Gregoire Eugene of the Haitian Social Christian Party; Marie-Denise Claude of the Haitian Christian Democratic Party; Fritz Lauture, an independent candidate; Marc Guillaume, an independent candidate; Anatas Jean-Louis of the ALA [expansion unknown]; Raymond Piou of the National Agricultural and Industrial Party; and Daniel Narcisse of the Liaison of Democratic Forces Federative Party, PFLFD. Besides the seven candidates who formally stated their candidacies, we received other candidates seeking information and who have promised to do what needs to be done before 8 January. They are Arnold Antonin and Cyprien. I do not remember....

[Eliancy interrupting] Mr. Dumerve, we know today was the time limit for the statements of candidacy. Do you have enough candidates for these senatorial elections?

[Dumerve] Do not worry. We have extended the time limit until 8 January. The number can perhaps be increased by 8 January.

[Eliancy] Are you confident the people will go to the polls on 28 January [date as heard]?

[Dumerve] You must make a difference between the position of the political sectors and of the president of the council [corrects himself] of the president of the Departmental Electoral Office. Personally, I do not... [rephrases] I receive all those who come with the same interest. I am not concerned about those who do not come or who do not want to come. I receive all those who come on an equal footing. We have no preference for anybody. All candidates are on the same plane, the same level. They are all equal to the BED, and I think this is also the opinion of the head office. [end recording]

Panpra Officially Launches Electoral Campaign

FL0601162993 Port-au-Prince Radio Metropole in French 1500 GMT 6 Jan 93

[Text] The Nationalistic and Progressive Revolutionary Party of Haiti [Panpra] officially launched its campaign for partial legislative elections. Panpra candidates registered their candidacies on the morning of 5 January. This decision came a day after statements by the second-in-command of the party [Arnold Antonin] asking for guarantees concerning the proper transpiring of the elections on 18 January.

Manigat Supports Call for Bazin Resignation

FL0601153893 Port-au-Prince Radio Soleil Network in Creole 1200 GMT 6 Jan 93

[Text] The leader of the Assembly of Progressive National Democrats, [former President] Leslie Manigat, supports the political statement signed by six parties to demand the resignation of Prime Minister Marc Bazin. In a statement of support, Manigat has proposed serious discussions with these political groups in order to save the nation, which is deteriorating. Manigat has also taken a stand against the 18 January elections.

Gregoire Eugene Withdraws From Elections

FL0601181193 Port-au-Prince Radio Metropole in French 1145 GMT 6 Jan 93

[Interview with Gregoire Eugene, Haitian Social Christian Party leader, by correspondent Clarence Renois in Port-au-Prince; date not given—recorded]

[Text] In Haiti, another aspect of the news is of course the senatorial elections that must be held on 18 January. The political arena is deeply divided regarding the organization of the ballot. In any case, Gregoire Eugene is withdrawing from the 1993 partial legislative elections. The Haitian Social Christian Party leader is withdrawing his candidacy which he registered in the beginning of the week. He mostly denounced the nonexistence of Registration and Voting Offices [BIV's] in the country, a few days from balloting. Professor Eugene thinks that everything is unconstitutional in this electoral process. Clarence Renois collected the statements made by Professor Gregoire Eugene:

[Begin recording] [Eugene] I have more to lose than to win in participating in those elections. I did not need that elections were held in my favor. No. Gregoire Eugene as a candidate for the West Department can lose with difficulty. The only thing I was interested in was not seeing the elections being held against my will. It is not that I suspect....[pauses] Everything is irregular in these elections. When I say everything, I mean absolutely everything. Even the presence of Marc Bazin, consensus minister without a head of state, is against all constitutional norms and all principles. I accepted the thing to avoid the vacuum.

[Renois] You are withdrawing today and you say the time granted for the electoral campaign....

[Eugene, interrupting] Not just for the campaign. For the voters' registration. So far, the West BIV's have still not been established. Registrations for the BIV's were due to start today. Yesterday I went to the Departmental Electoral Office where the required fees were still not known for the candidates' registration. The BIV's that must issue the electoral cards are not established. There are so many things that I know that my voters will not be able to vote. For that reason, I am calmly withdrawing from this joke. [end recording]

Scheduled National Assembly Opening in Dispute

FL0601230593 Port-au-Prince Radio Metropole in French 1700 GMT 6 Jan 93

[Excerpts] The 11 January National Assembly session is uncertain in the Haitian parliament. Senators and deputies are due to meet on the second Monday in January within the scope of the opening of the upcoming parliamentary session, in compliance with constitutional provisions. Nothing is prepared for this opening. Senator Ebrane Cadet, member of the Senate office, proposes the postponement of the National Assembly while awaiting results of the 18 January elections. This, however, it is not the opinion of all the senators. Ansy Rose Resignac filed the following report:

[Begin Resignac recording] The parliamentarians do not agree on this matter of current news that the 1987 Constitution clearly provides for in Articles 99, 99-1 and 99-2. The senators of the two political blocs in the Senate recognize it.

It is the president of the Senate who is authorized to lead the National Assembly. Failing that, the president of the Chamber of Deputies, and so forth. But, according to the Constitution's provision, the newly elected ones should be appointed before the parliamentary opening on 11 January.

Another question, even more essential than the first one, will be whether the nine departing senators will be able to participae in the National Assembly session, since the elections for the renewal of the third of the Senate have not yet been held. According to a document provided to the senators two years ago by the Senate office, the mandate of the third of the senators was due to expire on this past 31 December. Taking into account the current situation, Sen. Ebrane Cadet, who is the first secretary of the Senate office, states that he has no objection to these senators participating in the National Assembly until the time when they are replaced in the upcoming legislative elections.

The MIDH [Movement for the Establishment of Democracy in Haiti] senator does not stop there. Ebrane Cadet proposes that the parliamentary opening be postponed while awaiting the election results. [passage omitted]

If Sen. Cadet does not dispute the possibility that the president of the Chamber of Deputies preside over the National Assembly Office on 11 January, his viewpoint is right now neither contested nor supported by the Senate opposition. FNCD [National Front for Change and Democracy] Sen. Eudrice Raymond states, however, that there is no confusion. According to him, the vice president of the National Assembly can assume the responsibility in the absence of the [Senate] president. [passage omitted] In any case, both questions remain officially unanswered. Will the National Assembly be held on 11 January? If so, is Dejean Belizaire, during his electoral campaign, entitled to preside over it? [end recording]

Trinidad and Tobago

Caricom Minister on Responsibilities of Ministry

FL0601192493 Bridgetown CANA in English 1759 GMT 6 Jan 93

[Text] Port of Spain, Trinidad, Jan 6, CANA—Ralph Maraj, named minister for Caricom (Caribbean Community) Affairs in a cabinet reshuffle Monday, said he would have overall responsibility for co-ordinating the Caricom portfolio of the government here.

"In a general sense, I'll be seeking to provide that co-ordinating link among all of the other ministries in the government that are involved in the whole process of Caribbean integration," he told CANA.

Maraj, who still holds the Foreign Affairs portfolio, said several ministries including industry, trade and tourism, education, agriculture, and health, dealt with Caricom matters while there were several Caricom standing committees in all these areas.

"These ministries will continue to function and participate, but the Foreign Ministry will be there to provide a more cohesive and organise Trinidad and Tobago's participation in Caricom so as to fully advance the goals of Caricom.

"All decisions on Caricom policy on the local level must now be taken in consultation with the Foreign Affairs Ministry and the ministry will be involved in all policy making levels of Caricom functional cooperation meetings and the ministry will be substantially represented at all meetings by delegations and it is of necessity that we make a concrete input into the policy decision of such meetings," he said. He added that all meetings will be co- ordinated by the ministry. Maraj said that there was also a need to strengthen the human resources at the Caricom division of his ministry.

Opposition Leader Says NAFTA Disadvantageous

PA0701041093 Paris AFP in Spanish 2317 GMT 5 Jan 93

[Text] Mexico City, 5 Jan (AFP)—Mexico is at a disadvantage before the United States with regard to the North American Free Trade Agreement (NAFTA), center-leftist leader Cuauhtemoc Cardenas said during an interview for this week's issue for the American Continent of the Spanish weekly CAMBIO 16.

In the United States and Mexico there is interest in discussing labor and environmental issues, and thus, "there must be a new negotiation (of the NAFTA, which was also signed by Canada) or reach complementary agreements, Cardenas, leader of the Party of the Democratic Revolution, added.

"The Mexican Government is again at a disadvantage in this negotiation," Cardenas said [words indistinct] our country as a cheap and abundant source of labor, as a supplier of raw materials."

Cardenas thinks Mexican Government officials are trying in the United States "to make a good impression on the future U.S. Government of Bill Clinton." Thus, if one goes to negotiate with an intention to please, one negotiates from a disadvantageous position."

Mexican President Carlos Salinas will travel to Austin, Texas, on 8 January to meet with U.S. President-elect Bill Clinton and discuss issues, especially NAFTA, which was signed in December by the presidents of the three countries and is awaiting the approval of their respective congresses.

Cardenas criticized Salinas' privatization program because it favors "a few financial and profiteering groups that include top officials of the country, the ones who are closest to power."

The weekly asked Cardenas to name a few of those officials, to which the opposition leader replied: "For the time being there is no evidence because they leave no record of the things they take."

New Government Secretary on Working Plans for 1993

PA0601210193 Mexico City Canal 13 Television Network in Spanish 1300 GMT 6 Jan 93

[Passages within quotation marks are recorded]

[Text] New Government Secretary Patrocinio Gonzalez Blanco-Garrido is assuming his post with a commitment to advance the political process, guarantee social peace, act in accordance to the law, continue electoral reform, and maintain a dialogue with all political parties.

[Gonzalez] "We must advance in the political process to guarantee the legality and legitimacy of actions. We must safeguard the heritage of political and social stability created by Mexicans through the prevalence of law and the guaranteed exercise of all civil rights."

In his first news conference, the government secretary said 1993 will be a year of intensive work, consolidation of the political system, and progress in carrying out President Carlos Salinas de Gortari's plans for improving the electoral system.

[Gonzalez] "What we do in 1993 will lay the foundation for the work we will begin in 1994."

Regarding upcoming electoral processes, he said there will be openness and respect for the people's sovereign will.

[Gonzalez] "The president has been very clear about his pledge to keep political processes aboveboard and to respect the people's sovereign will as expressed in the polls and in the exercise of their right to vote."

Gonzalez said he will continue a dialogue with all political parties, but he also emphasized that consensus and the prevalence of the law are not negotiable. Asked whether he will act as firmly in his position as secretary of government as he did as Chiapas governor, he responded that he always acted with the conviction that authority must be subordinate to the law.

[Gonzalez] "The fact is, I believe in the prevalence of the law. I am a lawyer. I am convinced that authority must be subordinate to the law. In Chiapas, we had a system of dialogue, negotiation, and consensus, but we always acted within the framework of the law."

Gonzalez noted that during his administration, Chiapas had the lowest rate of amparos granted against actions by his government and the state attorney general, since only 0.34 percent of amparos filed were upheld.

Salinas Names New Attorney General, Mines Secretary

PA0501150593 Mexico City Canal 13 Television Network in Spanish 1300 GMT 5 Jan 93

[Statement by President Carlos Salinas de Gortari on 4 January; place not given—recorded]

[Text] Ladies and gentlemen: Based on the authority the law grants me, I appoint Emilio Lozoya Thalman secretary of Energy, Mines, and Parastate Industry and charge him with the task of strengthening the nation's sovereignty over its strategic resources and accelerating the restructuring of vital sectors under the control of that secretariat.

In acknowledging the lengthy and exemplary public service career of Fernando Hiriart Balderrama [former Energy, Mines, and Parastate Industry Secretary], I have invited him to chair the Energy Regulating Commission.

I have appointed Dr. Jorge Carpizo McGregor as attorney general. As of now, Dr. Carpizo has the important and delicate responsibility of strengthening, while exercising his functions in that office, the most strict respect for human rights and public security, and of increasing the efforts being made in the struggle against impunity.

I have stated my acknowledgement to Ignacio Morales Lechuga [former Attorney General] for his efforts and the results secured in the phase during which he served in that important office.

I have invited Morales Lechuga to represent the president of Mexico and the country in a most important diplomatic mission.

Welcome Emilio Lozoya; welcome Dr. Jorge Carpizo.

Thank you Fernando Hiriart and Ignacio Morales Lechuga.

All of us must continue serving Mexico and our fellow countrymen.

El Salvador

Archbishop Urges Compliance With Peace Agreement

PA0601185193 San Salvador Canal Doce Television in Spanish 0300 GMT 6 Jan 93

[Text] San Salvador Archbishop Monsignor Arturo Rivera Damas on 5 January again urged the sides that signed the peace agreement at the United Nations to comply with the agreement.

Rivera Damas was brief in commenting on the meetings that President Alfredo Cristiani and political party representatives have held on the [Armed Forces] purge issue. The archbishop said various groups have demanded action on this matter.

[Begin Rivera Damas recording] I think compliance with the agreements is important. If these talks result in compliance, then they are welcome, but I believe the negotiating period is over. Now it is a matter of complying with what has been stipulated. [end recording]

As the prelate sees it, the fact the government has not yet announced the complete list of purged Army members is part of the confidentiality that has existed throughout the peace process.

[Begin Rivera Damas recording] Since this is a confidential matter, we cannot go against this condition. If we say there should be compliance with the agreements, we have to respect confidentiality. [end recording]

The archbishop was interviewed prior to his participation, with national and international speakers, in a conference on the peace process. This conference was dedicated on 3 January by Apostolic Nuncio Manuel Monteiro. It will also discuss poverty as a cause of conflict.

Broadcasters Group Condemns Censorship Regulations

PA0601173993 San Salvador Radio Cadena YSKL in Spanish 1200 GMT 6 Jan 93

[Communique issued by the Salvadoran Broadcasters Association; place and date not given]

[Text] Mr. Alfredo Felix Cristiani, president of the Republic: The Salvadoran Broadcasters Association [ASVER] wishes to express its dismay and concern about the regulations recently approved by the Legislative Assembly. Those regulations are included in the new electoral code and relate to the regulation of freedom of expression, which, paradoxically, violates Article 6 of the Constitution, which the legislators profess to defend, especially as it refers to Article 230.

ASVER hereby requests that you make patriotic, objective, and appropriate observations of all articles that arbitrarily subject all media to a gag rule [ley mordaza] that is more suitable to a totalitarian state.

It is contrary to all democratic principles to pretend to try to regulate and even penalize the news media when the aforementioned Article 6 of the Constitution acknowledges freedom of expression and thought without having to first go through any preliminary evaluation, censure, or explanations, pointing out that any one who breaks the law will have to account for the crime .

Mr. President, we are aware of your democratic vocation and the principles you are trying to implement in El Salvador. Therefore, we believe you will not allow pressures from friend or foe, who under the illusion of guiding the country toward a path of democracy only intend to lead El Salvador toward totalitarianism.

Only the full validity of freedom of expression will allow news media to exist in a regime characterized by free competition and plurality, media that can exercise their duties independently, moving toward the credibility that will make them worthy of the Salvadoran people's trust.

Freedom of expression is an essential right above the laws of any state. ASVER therefore categorically rejects any attempt to regulate the news media.

Salvadoran Broadcasters Association.

Guatemala

Official Says Peace Negotiations To Continue

PA0601211693 Guatemala City Teleonce Television in Spanish 1800 GMT 5 Jan 93

[Text] Manuel Conde Orellana, president of the Government Commission for Peace in Guatemala, has ruled out the possibility that the delay in signing an agreement with the Guatemalan National Revolutionary Unity [URNG] could promote new rebel activity. Conde stated the government's willingness to continue with the negotiations to bring peace to the country.

[Begin Conde Orellana recording] Under no circumstances can we speak of any stubborn act on the part of the government, which is negotiating with political resolve. There is evidence to this effect. The guerrillas have issued an alert about the possibility of new armed groups. This worries us because these groups will surface as long as there is polarization.

I believe we must all be very careful about what we say, because Guatemala does not need any more violence or polarization. The appearance of new groups, as the guerrillas have said, would be the result of polarization and an activity that actually calls for the use of violence. That worries us very much.

I believe the guerrillas should also exercise more care in making such comments as they might cause a certain unrest that really does not help the process of peace and democracy in Guatemala. The government of the Republic is very hopeful; we believe we can attain peace this year. We believe this year the two parties can show the political resolve that will materialize into specific actions, into a

true interest in making the process more dynamic, so that we can see immediate results and the Guatemalan people will begin to feel that these peace efforts, which belong to all Guatemalans, are yielding results.

The government feels peace can be attained in 1993, perhaps before June if there is a willingness to do so. The government is evaluating a proposal that we believe may yield very positive results in strengthening the negotiations process. [end recording]

Bank of Guatemala President Resigns

PA3112163292 Guatemala City SIGLO VEINTIUNO in Spanish 30 Dec 92 p 3

[Text] Federico Linares Martinez, president of the Bank of Guatemala, Banguat, on 29 December officially resigned the post he has held since January 1991. He expressed his satisfaction with the achievements made during that period and confirmed that his replacement will be economist Lizardo Sosa Lopez.

Linares said his resignation will be effective 6 January 1993. He then compared the situation that prevailed when he assumed the presidency of Banguat and the Monetary Board with current conditions.

He stressed that when he accepted the responsibility of directing Banguat, inflation had reached 60 percent and the exchange rate was determined by an erratic exchange market with frequent modifications.

He also mentioned that international monetary reserves were at precarious levels, and the fiscal deficit and Banguat's deficit were high.

He noted that in early 1991 a stabilization plan was developed and implemented to create favorable conditions for orderly economic growth.

According to Linares, during the two years after the plan was implemented, inflation dropped to 10 percent in 1991 and is expected to be approximately 13 percent in 1992.

He noted that the level of monetary reserves ($520 million) is relatively high and will enable the country to start 1993 with a comfortable position abroad and a relatively stable and realistic exchange rate.

Banguat has reduced its foreign debt by approximately $120 million, and the overall deficit—fiscal and nonfiscal—has been reduced by more than 20 percent, he stressed.

Linares said he feels the results have been positive and that the most important achievement was accomplishing the objectives without affecting production growth.

Finally, he noted that economic growth in 1991 was 3.3 percent, and this year it is expected to be 4.6 percent, the highest in the past decade.

Nicaragua

Violence Flares Up in Jinotega, Matagalpa

PA0601201693 Managua Radio Catolica in Spanish 1100 GMT 6 Jan 93

[Text] Matagalpa—Actions by armed groups have increased in recent days, specifically in the early days of 1993. The same thing happened in 1992, when armed actions flared up in January, February, and March.

Approximately 250 heavily armed men are moving around Jinotega and Matagalpa Departments. The armed bands, operating specifically in Mulukuku, Rio Blanco, Matiguas, Muy Muy, Waslala, Rancho Grande, and La Dalia, have the peasants in a state of unrest.

We want to report to all listeners of Radio Catolica's "The Awakening" newscast that a heavily armed group of 25 men equipped with AK-47 and FAL rifles and with RPG-7 rocket launchers attacked at about 0330 with M-79 grenades. They attacked a police station and a Special Disarmament Brigade [BED] command post, where a heavy shoot-out lasted over 50 minutes. As a result of this clash, BED member Candido Hernandez was wounded and the local Nicaraguan Telecommunications and Postal Services Institute offices were destroyed.

The Army and the police have also engaged in other clashes near Central Wasaka, where it is reported that two armed individuals were killed. The police reported the seizure of some weapons, including one FAL rifle, a M-1 carbine, three AK-47 rifles, one .22-caliber rifle, one .22-caliber revolver, six hammocks, five knapsacks, and other military materiel.

Further on Clashes

PA0601205693 Managua Radio Catolica in Spanish 1100 GMT 6 Jan 93

[Text] We are receiving last minute reports from Esteli, Matagalpa, Jinotega, and Juigalpa Departments on heavy clashes between Army troops and alleged members of recontra groups that, according to military sources, have been raiding cooperatives and damaging the infrastructure in some municipalities.

The last reports state that there are at least four dead, including two chiefs of the recontra groups. The Army has also sustained casualties.

The most serious point is that a large part of the Pan-American Highway between Esteli, Condega, Somoto, and Ocotal has become dangerous for passengers and vehicle and bus drivers because of robberies and clashes in that area.

Reports from Esteli indicate the concern of collective transportation users because of the constant clashes taking place along the Pan-American Highway.

It has also been reported that several recontra chiefs have been captured and that heavy clashes are taking place in towns north of Jinotega and Matagalpa.

According to EPS [Sandinist People's Army] reports, a recontra chief known as Commander Oso was captured and another chief was killed on 4 January in the San Francisco area of Camoapa.

It was also reported that brothers Clemente and Santos Gonzalez and Pablo Rosales were arrested in Las Salinas area. Peasants of the northern area, specially near La Dalia, have complained of the manner in which the Army is carrying out an alleged operation that has left not only dead and wounded but also many arrested.

From Matagalpa we receive reports of a heavy attack on another cooperative. At a place called [10-second break in reception] Adrian Rivera (?cooperative). According to the military report, members of the group 380 [National Salvation Democratic Front] arrived at the cooperative and took weapons, supplies, and basic grains.

The reports state that a heavy clash has taken place in the area known as La Dalia. Recontras attacked a police unit and special battalions. According to the reports, a member of the cooperative was killed and at least two or three were wounded in the area.

We also have reports from the northern part of Jinotega stating that over the last few days Army troops have arrived and clashed with small groups of recontras, leaving two dead and three wounded.

It is expected that an official communique will be released in the next few hours regarding the many clashes in the north, which has practically become a war zone from which we are receiving constant complaints about the Army's repressive attitude.

PSD Rejects Occupation of National Assembly

PA0601192193 Managua Radio Catolica in Spanish 1100 GMT 5 Jan 93

[Statement issued by the Social Democratic Party, PSD, in Managua on 4 January]

[Text] The Nicaraguan Social Democratic Party, PSD, makes the following announcement to the Nicaraguan people and the free peoples of the world regarding the military measures taken by the president of the Republic against the National Assembly, which constitute a coup d'etat against the legislative branch to the serious detriment of the separation of powers decreed in our Constitution:

1. We denounce before the democratic peoples of the world the military occupation of the National Assembly's physical installations and the confiscation of its documents, carried out by police forces on the orders of the Presidency of the Republic.

2. We vigorously reject as unconstitutional and undemocratic the dismissal of legislative representatives elected by the people as ordered by the Presidency of the Republic through Executive Decree No. 341-92 of 29 December 1992.

3. The act of force carried out by the Presidency, which is an attack on the essence of our incipient democracy and has no precedent in Nicaraguan history, places control of the National Assembly in the hands of the Sandinist National Liberation Front.

4. The occupation and seizure of the National Assembly by the executive branch sets the bases for a military dictatorship that is disguised as a democratic government through the presence of a civilian as president of the Republic, while the real power rests with the general who controls the weapons.

5. Once again, the PSD reiterates to the Nicaraguan people its unyielding determination to continue struggling for legality, freedom, and democracy. It also calls on its members to close ranks with other civic and democratic organizations to struggle unfailingly to make Nicaragua a republic once more.

Issued in Managua, Republic of Nicaragua, on 4 January 1993.
[Signed] National Executive Council, PSD.

FSLN Leader Sergio Ramirez Holds News Conference

PA0601192993 Managua Radio Sandino in Spanish 1830 GMT 5 Jan 93

[Text] At a news conference on 5 January, Sergio Ramirez stated the Sandinist bloc at the National Assembly is not willing to support changes to the Constitution.

Ramirez said the Sandinist National Liberation Front [FSLN] bloc hopes to establish a Board of Directors that will be a result of a consensus; consequently, the Sandinists are willing to talk with the different political forces at the Assembly.

He confirmed he met with Deputy Luis H. Guzman at the invitation of the Venezuelan ambassador and that at 2000 he will meet with Deputy Eli Altamirano, at Altamirano's request. Here are Ramirez' comments to journalists that everything is being done in accordance with the law:

[Begin recording] [Ramirez] Everything is being done in accordance with the law, and the statutes or the Constitution are not being violated. I think there was no other way. I want to back the government decision firmly. The government had to take this administrative measure, otherwise, we would be defenseless against the comments Cesar made as he bid farewell at the end of the year. After the illegal closing of the period of sessions, Cesar said [words indistinct] and that he would preside over the election. However, both actions are illegal.

I think this presidential agreement intends to focus on returning legitimacy to the process that will lead to choosing a new Board of Directors. The FSLN does not want to control the Board of Directors. As you see, we will only keep two seats. We want a process that will lead to pluralism within the Board of Directors. We want to have stability in the next two years, as this is what the people have been demanding.

The National Assembly has a big responsibility. It must help us attain true stability in Nicaragua. This will allow us increase production levels and escape from the economic stagnation the country is experiencing.

[Unidentified Reporter] [question indistinct]

[Ramirez] First, I want to talk as a vice presidential candidate defeated by the ticket that was headed by Violeta de Chamorro. As the staunch democrat I am, I have to say I continue to respect that electoral result. I think it is my obligation and I will continue to respect it until 10 February 1997 when a new president will assume office in this nation. All those who speak of the government loosing legitimacy want to favor a coup d'etat against Nicaragua's constitutional government.

As a member of the legitimate opposition to this government, I totally disagree with manipulations aimed at trying to diminish and discard the legitimacy of this government. I strongly oppose any mention of shortening the presidential term or removing President Violeta Chamorro, as Mr. Cesar wants. I believe this will destabilize Nicaragua.

Secondly, according to reports we have—and this should be explained in more detail by the provisional president and the authorities guarding the building—security measures have been implemented at the building, but the main entrance to the National Assembly remains open. I verified this myself on the morning of 5 January. I had planned to hold this news conference at the National Assembly building with Mr. Cesar so he could not say we had access to the National Assembly, whereas he did not. He has always had access to the National Assembly. [end recording]

Daniel Ortega Comments on Current Issues

PA0701033593 Managua BARRICADA in Spanish 30 Dec 92 pp 1, 13

[Interview with Daniel Ortega, Sandinist National Liberation Front secretary general, by unidentified BARRICADA reporter in Managua; date not given]

[Excerpt] [BARRICADA] What is your assessment of 1992?

[Ortega] The nation was not only at a standstill in 1992, but it also suffered an economic and political setback. The causes are economic and social, and they affect the overall political scenario.

The Nicaraguan economy did not meet the preset goals. That was due not only to the falling prices of agricultural exports—such as coffee, cotton, and bananas—but also to the social tensions that blocked the flow of foreign capital.

The government, through its policy of financial and structural adjustments, created highly conflictive and polarizing situations that have dragged the nation into instability. The trends in 1992 were an increase in unemployment and a decrease in economic growth.

Everything revolves around the sunken economy. The tensions that affect the police force and the Army have their roots in economic problems. Polarized labor groups, such as the Higher Council of Private Enterprise, do not feel that the police force and the Army are adequate instruments for defending the concept of property and the economic regime that they believe should be developed in the nation. That is why those groups tend to question them.

[BARRICADA] How do you perceive the community's general state of mind?

[Ortega] The Nicaraguan people feel insecure. According to a poll conducted between 23 November and 2 December by the CID-Gallup company, the community's main problem is unemployment.

The poll results illustrate that in comparison with 1991, the majority believes standards of living have decreased, the cost of living has climbed, and crime and robberies have risen in 1992. Distrust in the government has grown. The poll indicates that "the current dissatisfaction is combined with a pessimism about the future; a majority believes the family's economic situation will be worse next year."

[BARRICADA] At the inauguration of the donor nations' meeting, you pointed out the need for a shift in the government's economic policy. What do you think is the solution to the problem?

[Ortega] Minister Lacayo's reflections coincide with the concept we have been defending all along on how the economic policy should be shifted. Nevertheless, the government has assumed commitments with international institutions that adversely affect political willingness.

The property issue must be solved definitively and as soon as possible. It is very difficult to discuss other economic issues while the property dispute is pending.

The revision process carried out by the Revision Commission of Duilo Baltodano that ordered the return of 12,000 properties through 5,000 orders created instability in the nation. It created a climate of uncertainty for those who currently possess properties as well as for the original owners.

The problem should be resolved as follows: The government should respect the rights of the current owners, the people should be given assurances about their property, the compensation process for those who were expropriated should be concluded, and a definite reply should be given to the workers on the legalization of the 25 percent of the state-run companies to which they are entitled.

That is how the property problem could be resolved, and the government could then concentrate on the economic take-off and on attracting foreign investment. We would then be in a better position to reach an agreement on a social economic package that places job creation and economic growth at the top of the list.

We would also be in a better position to develop an economic policy that does not dogmatically cling to the anti-inflationary attitudes that go against the spirit of the economic growth measures.

But first we must solve the property problem. We cannot discuss other issues until that problem is solved.

[BARRICADA] What issues will be discussed in the meeting among workers, the business sector, and the government?

[Ortega] The issues to be dealt with include a change in the understanding of the anti-inflation struggle, the creation of more employment openings, the promotion of agricultural productivity through additional credit, and the identification of production costs that prevent our industries from competing on the international market.

[BARRICADA] What would the Sandinist National Liberation Front [FSLN] contribute to this national agreement?

[Ortega] In 1993 we are interested in creating harmony among the business sector, workers, and the government on economic issues in order to achieve basic agreements that will allow the country to advance toward economic and social stability. This approach could include a major political agreement. We are willing to provide concrete answers that will translate into stability for the country; that is, stability with justice and without any exclusions. For example, we wish to clarify that we respect private property. In the future, a Sandinist government would not depart from the private property system that is currently taking shape.

We have an economic proposal that includes unifying all sectors and providing solutions to help us move forward. I believe the method used in the struggle causes friction among the various sectors. Sometimes there are misunderstandings. For example, the Sandinist businessman feels affected by the constant strikes. On the other hand, workers feel they are not receiving support from their fellow workers. Something similar is taking place among the vast number of unemployed Sandinists.

We must search for a unifying element to guarantee a change in the direction of the economic policies. We must establish constant communication between all sectors. If we are unable to achieve unity among Sandinists, how can we expect to promote a national project?

[BARRICADA] How will the autonomy process of those social and union movements linked to the FSLN be developed?

[Ortega] [Words indistinct] complete autonomy will be accomplished by moving toward a sort of autonomy whereby the various social, economic, and political sectors establish communication and coordination mechanisms. We have begun an in-depth political debate on the role of the political structure of Sandinism. We think a political structure is a force that promotes and supports the actions of the various sectors. The political aspect of the FSLN does not seek to change the struggle among sectors but to support the demands by the people. That is what the political structure supports. We must, however, establish coordinated actions, because we cannot accept having actions imposed on us or a sector promoting modes of struggle without previously announcing them and then demanding the FSLN's support.

[BARRICADA] Will there be an FSLN extraordinary congress in 1993?

[Ortega] During the Sandinist National Assembly in July 1992 we discussed the economic issue. I weighed the advisability of having an extraordinary congress to discuss the economic issue as well as that of getting us all involved in the matter.

Some of my fellow party members, however, believed it would be more appropriate to provide another type of perspective to the extraordinary congress and present the issue to the National Directorate. I do not believe that an extraordinary congress will strengthen the party. The FSLN will become stronger insofar as we adopt a firm position on economic issues.

It would probably be insufficient just to have an extraordinary congress to merely discuss the issue. Maybe it would be more appropriate to promote a national discussion of the economic problem; in other words, to promote a debate that would allow us to understand this new reality.

We propose to respect the new private property system, offer security to all property owners, and support the compensations made to those whose properties were confiscated.

Likewise, we would support any international effort to reactivate those employee-owned companies.

[BARRICADA] Would this possible national agreement include a shared government?

[Ortega] In practice, there is no shared government, but we must not see it as something negative. It would be a positive element. I think the FSLN is going to assume the most viable attitude in practical terms. The ideal would be for the government actions to reach a consensus with the FSLN. That would be a positive signal at home and abroad. If a shared government were possible, I think it would be a very important element of stability.

[BARRICADA] What is the government's attitude toward this possible national agreement?

[Ortega] The government seems to be in accord. I sensed a receptive attitude on the part of Presidency Ministry Antonio Lacayo to support and become involved in a national agreement.

[BARRICADA] Would the political parties be included in the tripartite talks?

[Ortega] I think talks with 23 political parties do not have much of a future, as these parties are still cut off from

economic reality and care little that the country is crumbling. On the other hand, a dialogue to seek agreements among farmers, workers, and the government can lay the foundations for a national agreement that may later have an impact in the political sphere.

[BARRICADA] What is the FSLN stance regarding the EPS [Sandinist People's Army]?

[Ortega] The stances in favor of abolishing the Army are irrational. The consensus exists at home and abroad on the need for the Army as an institution. It is not true the Army is polarizing the country, instead it has been used by the government to try to curb popular protests.

We cannot accept precedents, better yet, we can no longer accept precedents such as the dismissal of Rene Vivas [as chief of the National Police], who was fired because of his way of thinking, in response to pressure from abroad.

The Army command must not be subject to negotiation with any country; and neither must the commands in the EPS or the police nor any other post in the government be.

At the opportune time the Army will have its charter and the periods in which the commanders must serve in their posts. We must give stability to the EPS. Their commands cannot be negotiated for domestic or international reasons.

[BARRICADA] What is your view of the new Clinton administration?

[Ortega] We seek a framework of coexistence that will give greater security and stability to Nicaragua. The new Democratic administration offers greater conditions of improving our relations.

The relations with the United States must not be seen in terms of how much money it will give us. The trend in that country to reduce foreign aid to concentrate on the its domestic problems will dominate the Democratic agenda.

We are striving to seek a stable relationship untouched by the fluctuations of foreign aid. That stable relationship has positive repercussions in other countries and international organizations such as the World Bank or the Inter-American Development Bank.

The United States, however, has a moral and material debt with the Nicaraguan people, and this is a good opportunity for the Democrats to show their goodwill by providing funds for development.

We should not limit our communication to the Democrats. We should also maintain communications with senators and leaders of the Republican Party, who may return to power in the future. It would be ideal to seek a bipartisan consensus on Nicaragua, which can be done.

[BARRICADA] During the past few days you have held working sessions with Presidency Minister Antonio Lacayo. What were the topics discussed?

[Ortega] Our intention is to enforce our agreements with the government and establish the mechanisms to guarantee the government's compliance. The government has complied, but only partially, and the cost paid to force the government to partially comply with the agreements has been very high.

We discussed our interest in reaching basic agreements among economic sectors in 1993.

During our talks, it was clearly established that the Office of Territorial Organization, OOT, cannot reject anything, because it is not a judge or a reviewing commission, but a organizing entity. This organization should not create tension; it should create a climate of confidence among the population.

The OOT introduced a factor of political tension, because it made all those who received properties seem suspicious.

If there is any reason to suspect there have been abuses, the government must investigate the case and submit it to the judges; it should not judge people through the OOT.

The solution to the problem is simple, but there are other interests behind this: declaring illegitimate the actions with regard to properties taken by the Sandinists and restoring the former property system.

There is a contradiction between the country's economic structures and the government's economic policy. The government seeks to harmonize both things breaking the property system; in other words, it wants to revitalize the economy at the expense of the majority. [passage omitted]

Argentina

UK's Hurd Arrives, Vows To Strengthen Relations

PY0601144493 Buenos Aires TELAM in Spanish 1044 GMT 6 Jan 93

[Text] Buenos Aires, 6 Jan (TELAM)—Douglas Hurd, the British Secretary of State for Foreign and Commonwealth Affairs, today stated that the purpose of his visit to Argentina is to further relations between the two states "without surprises or setbacks" and ruled out the signing of bilateral agreements during his visit.

In remarks at the Aeroparque Metropolitan Airport, Hurd said Great Britain "has no doubt" about its position on the Malvinas Islands and noted that the two governments have recently stated their respective positions on the issue.

Discusses Falklands With Menem

PY0601172293 Buenos Aires Radio Nacional Network in Spanish 1500 GMT 6 Jan 93

[Text] Douglas Hurd [British secretary of state for foreign and commonwealth affairs] showed pleasure regarding the visit that he is beginning, the first by a high-ranking British official in the past 26 years.

Hurd stressed that he has great respect for the Argentine president, especially the achievements that have been obtained in the economic sector.

President Carlos Menem also referred to bilateral relations with Great Britain. He did so this morning during a program aired by ATC [Argentina Televisora Color]. The chief of state said:

[Begin recording] [Menem] As you well know this is a topic about which I have my own opinion, and I believe that before the year 2000 we may be there, through our ever-increasing diplomatic activity, on the Malvinas Islands without any conflict like that we experienced during the 1980's, specifically in 1982.

[Unidentified reporter] If you say this, it will shake the British.

[Menem] No, no, why? I am speaking about a peaceful way to resolve this task, and even the British understand this, which is why we are maintaining a dialogue at this time on trade and scientific projects. This is also why there is a large flow of investments coming from England to Argentina. In sum, this is due to situations that favor this type of relationship and which open broad prospects for progress in other matters of common interest. [end recording]

Meets With Argentine Congressmen

PY0701013393 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1757 GMT 6 Jan 93

[Text] Buenos Aires, 6 Jan (NA)—The meeting between Douglas Hurd, British secretary of state for foreign and commonwealth affairs, and a group of Argentine congressmen ended today with some disagreements over the subject of sovereignty over the Malvinas Islands. Hurd nonetheless reiterated British interest in increasing investment in Argentina.

Hurd held a one hour long protocol meeting with the presidents of the Senate and Chamber of Deputies, Eduardo Menem and Alberto Pierri respectively, along with British Ambassador to Argentina Humphrey Maud and Argentine Ambassador to the United Kingdom Mario Campora.

The meeting, which began at exactly [word indistinct] in the Pink Hall, in the presence of Argentine Senators Juan Aguirre Lanari (Liberal Party, Corrientes Province), Olijela del Valle Rivas (PJ) [Justicialist Party], and Wilfrido Samudio Godoy (PJ), was not attended by any Radical Civic Union congressman.

Following the meeting, Eduardo Menem labeled it as "a very constructive meeting, carried out within a cordial framework."

"We reviewed the main points of our bilateral relations, in which much progress has been made in the fields of culture, trade, and British interest in making investments in Argentina," he said.

Eduardo Menem said the subject of the Malvinas was discussed during the meeting. He said "the two parties ratified their positions, and we firmly maintained our rights."

The Senate president then said that "[word indistinct] cooperation mechanisms created as a consequence of the dispute, [word indistinct] the agreement reached in the field of [word indistinct] and I suggested that we finish with some military restrictions imposed by the British Government around the islands."

Eduardo Menem also said he favored "reaching an agreement on oil exploration and exploitation around the Malvinas Islands."

He also pointed out the position adopted by the United Kingdom in the Uruguay Round of GATT talks "in favor of our position against [word indistinct] protectionism."

The Senate president also expressed Ambassador Maud's wish "to increase British investments in Argentina as a result of the favorable reception in the United Kingdom and in Europe of the Argentine economic policy as implemented by the Argentine Government."

"This has created confidence in our country, attracting foreign investment, so the British foreign minister asked for details on how we defeated hyperinflation and passed on to a stage of stability, which is daily being consolidated," Eduardo Menem said.

Regarding the possible date on which President Carlos Menem may travel to London, the Senate president said: "That subject does not pertain to Congress but to the Foreign Ministry."

Senator Aguirre Lanari, former foreign minister during the military government of Reynaldo Bignone, told NOTICIAS ARGENTINAS that the meeting with Hurd was "pleasant," adding that the visiting minister "expressed his satisfaction that relations between the two countries are becoming firm."

"I, as an old and vehement advocate of the (Malvinas) cause, let him know that I share [words indistinct] the improvement of relations, but I told him that they are not entirely firm as long as the sovereignty problem persists. It is as if we had a thorn permanently in our side," Aguirre Lanari said.

The senator said that the British foreign minister "(?said) that he hoped the thorn might not be poisonous." Aguirre Lanari added: "I, as a congressman, could not but express what all the Argentine people feel."

He added that the sovereignty issue is above any economic consideration, for all of us, because it is a basic and immovable matter." [no opening quotation marks as received]

The senator regretted the statements made by Tristan Garel-Jones, British secretary of state for Latin American affairs, who said that the sovereignty of the Malvinas "will never be negotiated."

Aguirre Lanari said: "No one should ever speak in this manner, because the lives of men pass, and circumstances may change."

Privatization of Channel Four Television Announced

PY0501215493 Buenos Aires BUENOS AIRES HERALD in English 5 Jan 93 p 1

[Text] (NA)—Channel Four Television, devoted exclusively to cultural programmes, will begin broadcasting from the state-owned ATC [Argentina Televisora Color] studios, according to a decree issued by President Carlos Menem yesterday. The move implies the privatization of ATC.

The new TV channel will not include any commercial slots, according to government sources, and will be managed by current ATC staff until it is privatized.

Once the new channel is operating it will be sold by public tender.

The new channel's fare will include educational programmes, languages, documentaries, and gym classes.

Bolivia

President Paz Meets With British Official

PY0701120393 La Paz Television Nacional Network in Spanish 0000 GMT 7 Jan 93

[Text] President Jaime Paz Zamora today received Tristan Garel-Jones, British secretary of state for Latin American affairs, who arrived in La Paz on an official visit. On his first day in Bolivia, Garel-Jones, accompanied by British Ambassador to Bolivia Michael Jackson, held a working meeting with Gonzalo Torrico, Interior Ministry social defense undersecretary and Jose Salinas, alternative development undersecretary of the Agriculture and Peasant Affairs Ministry.

They discussed British cooperation with Bolivia, which mainly consisted of the donation of communications equipment which is currently providing important assistance to the Special Antinarcotics Force in several parts of the country.

The British secretary of state also met with President Jaime Paz, with whom he analyzed other important subjects of bilateral cooperation. He said:

[Begin Garel-Jones recording] Our bilateral program with Bolivia is the largest we have in Latin America. Naturally, we intend to continue with this program. I think the future of Bolivia and ourselves does not lie in cooperation programs, notwithstanding their importance, but in investments here, using joint British and Bolivia capital, to create new industries [words indistinct]. I think the future is going this way although of course [words indistinct] bilateral programs. [end recording]

Over the past three years the British Government has disbursed $30 million in Bolivia. Garel-Jones said drug enforcement efforts by Bolivia should continue.

[Begin Garel-Jones recording] This threat, that is, this problem which every country in the world must face, is a common problem for all of us. We also have smaller cooperation programs with the Bolivian Government, and we think that the efforts so far by the Bolivian Government are exemplary. [end recording]

Brazil

Franco Warns Businessmen Over Food Price Hikes

PY0601183393 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 5 Jan 93 Economic Section p 1

[Excerpt] Prices of food, cars, beer, and soft drinks, as well as postal rates, have been the first to go up in 1993, triggering off an immediate reaction by the government. President Itamar Franco has sounded a warning at food industry businessmen: "I will not tolerate this little game of the speculators." Postal rates are the exception, as it was the government itself that decided on this hike.

This announcement was made yesterday by Planning and Finance Minister Paulo Haddad who, on the president's instructions, has called a meeting today with the Brazilian Supermarkets Association (Abras) and the Brazilian Food Industry Association (Abia). Haddad will demand an explanation from these associations for having marked up all goods in supermarkets at the beginning of the new year. The increase range from 60 to 100 percent.

Haddad stated: "We believe there are no economic reasons for such high increases. We cannot sit back and do nothing because that would be tantamount to condoning the excessive profits of a sector that greatly influences the cost of living of low-income people."

Another announcement made in Switzerland by Norbert Gnur—chairman of the Ciba Geigy Laboratory—to the effect that medicine prices will be increased by 22 and 23 percent next week, has aroused the wrath of the Brazilian president, who will try to prevent it. The Brazilian Government may apply the law on unfair competition (antitrust law) to this case. [passage omitted]

Government Adopts Measures Against Laboratories

PY0601175593 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 6 Jan 93

[Text] The government is adopting measures against excessive increases in the prices of medicines and some other products. As a result, the price of these products may decrease in the next few days.

The Economic Rights Secretariat of the Justice Ministry will impose heavy fines on pharmaceutical laboratories that violate the free competition law. Secretary Antonio Gomes has said that the fines will range from 80 million cruzeiros to 800 million cruzeiros per day.

The health minister has reported that a group of federal government experts will define within 48 hours alternative ways of producing medicines at the official [as heard] laboratories to reduce the price of medicines.

[Begin reporter Antonia Marcia Vale recording] Minister Jamil Haddad has reported that the government experts will define alternative ways within 48 hours. He said this governmental decision is a response to the attitude of the multinational pharmaceutical companies that work in Brazil which refuse to negotiate with the government. The health minister said he believes the attitude of the multinationals will lead to a confrontation. He mentioned Ciba-Geigy Laboratories as an example. That company's representatives have told the minister that if they cannot obtain a good margin of profit, they will manufacture medicines in another country. Minister Jamil Haddad said if they continue to maintain this attitude, they will have a double loss: They will loose the right to supply public institutions like the Central Medical Supplies Exchange, Ceme, and government hospitals, and will loose an important portion of the consumer market. The minister confirmed that in view of the laboratories' refusal to negotiate with the government, only two alternatives are left: To control the prices or to begin manufacturing the medicines at the official laboratories. Haddad discarded the possibility of controlling prices and has decided to begin manufacturing the medicines at the official laboratories. [end recording]

Minister Haddad believes that once Brazilian laboratories begin to produce medicines at lower prices, the multinationals will logically reduce their prices. He said: [Begin Haddad recording] Once medicines begin being produced at much lower prices, the laboratories will undoubtedly have to lower the price of their medicines. [end recording]

Haddad said the funds allocated to the Ceme—more than $1 billion—may be increased if Congress approves the Fiscal Reform.

Carlos Morel, the new Oswaldo Cruz Foundation (Fiocruz) president, said the foundation could produce 90 percent of the 285 medicines included in the national list of medicines. Morel added that these products could be sold to the government at about 40 percent of the prices charged by the private sector.

'Text' of Government Economic Guidelines

PY0701000093 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Jan 93 Economic Section p 3

["Text" of short-, medium-, and long-term economic guidelines announced on 31 December by Planning Minister Paulo Haddad]

[Text] The Brazilian nation is living through a particular moment, a new period of republican history, which is essentially characterized by a resolve in favor of ethical behavior.

This is the origin of the Itamar Franco government, supported by the will of the people, who are represented in Congress in form and in essence.

The role of this government, which is essentially a transitional government, is to prepare the guidelines for strengthening the political, institutional, and economic reforms. It is up to this government to find a solution to the Brazilian crisis, understanding that the state must promote action and mobilization and must promote the process of change, while the nation must remain in continuous and active mobilization.

This document establishes the set of guidelines making up a consistent structure for short-term economic policy.

Part One

General View of the Strategy

1. Basic Commitments in the Economic Area

The commitments of the Itamar Franco government in the economic area are focused on the ultimate objective of guaranteeing to the Brazilian people better living conditions generated through a sustained development process.

The government assumes the commitment of using all instruments at hand in order to be able, in joint action with the national Congress, to lead the Brazilian economy and society toward those objectives as soon as possible. To achieve this it is essential to reduce the acceptable levels of Brazil's inflation rate, and to reactivate economic growth.

The government guidelines for short-term actions constitute a document of principles. Among the government commitments which were signed, the following deserve special attention:

1. A guarantee for the stability of rules and the rejection of measures such as price freezes, blockades of financial assets, and sudden changes in monetary correction policies. The government will not adopt economic policy measures except those which are merely administrative, which by their own nature cannot be discussed with society beforehand.

2. The maintenance of commitments which were already signed in renegotiating the foreign debt, and guarantees that the process will be continuous, to help the country reach a full normalization of its international financial relations.

3. Political action seeking cooperation with the national Congress for the approval of an all-embracing fiscal reform. This reform represents one of the main pillars supporting the government strategy for the fight against recession and inflation.

4. The reorganization of the Central Bank, to help it adequately play its role as being responsible for monetary stability.

5. The adoption of measures seeking the improvement of the financial system and of the capital market, so that they might efficiently fulfill their functions in the resumption of sustained economic growth.

6. A solution to structural problems with fiscal and monetary impact, including those related to the financial difficulties of Social Security, to financing the debts of the state and municipal governments and of state companies, to the potential deficit in the Compensation Fund for Salary Variations [FCVS], and to the role of official state and federal banks.

7. The establishment of rules for the implementation of fiscal, monetary, salary, tariff, and exchange policies compatible with the fight against inflation.

8. The maintenance and improvement of structural reform programs such as privatization, deregulation, and commercial opening, which will pave the road for the resumption of sustained economic growth.

9. Efforts to implement additional policies seeking the creation of more job opportunities to reduce the effects of recession on the well-being of the poorest sectors.

10. The implementation of economic policy matters must be fully consistent with the idea of strengthening federative ties of solidarity.

2. The Scope of the Crisis and the Challenges of Stabilization

Government technical organizations predict that the Brazilian Gross Domestic Product [GDP] will drop by 0.2 percent in 1992, due in particular to industrial production.

If these predictions are confirmed, the GDP will on 31 December 1992 be 3.7 percent less than on the same date in 1989. As the population has increased from 1989 to 1992, the GDP per capita dropped by 9 percent.

Inflation reflects the other side of the crisis. Beginning with the stabilization efforts inaugurated from 1981 to 1983, successive governments have imposed heavy sacrifices on the population on behalf of a stabilization which has not been achieved.

Inflation, unemployment, the drop in industrial production—all of these have increased over the past three years. Brazil can today display the unwanted distinction of being virtually the only country in the world showing monthly inflation rates above 20 percent.

If this is the most visible side of the crisis, the less visible side has to do with the fiscal imbalance, the loss of effectiveness of the Central Bank and of the financial system in general, and with the accumulation of heavy debts in the public sector.

The fiscal imbalance has a long history. Oppressed by obviously difficult circumstances such as the heavy foreign debt, especially in the 1980's, governments have been postponing a definitive adjustment of their accounts.

The internal financing of the successive and heavy deficits became an irreversible need, contributing to inflationary pressures and aggravating the recession.

Not having a true balance in their accounts, governments were unable to effectively control the classic instruments of fiscal, monetary, and exchange policies, nor could they act effectively against inflation and recession.

Another aspect of the crisis has been the loss of effectiveness of the Central Bank, the capital market, and the housing financial system, which perform within an economy of price stability and economic progress roles which are absolutely essential.

In the Brazil of today, the Central Bank has no effective conditions for controlling monetary expansion, the capital market is not equipped to channel savings, and the housing financial system has no investment projects.

A third consequence of the crisis has been the accumulation of debts which are practically impossible to administrate in the public sector.

The main references here have to do with the internal and foreign debts of the central, state, and municipal governments and of the state companies; with funds such as the FGTS [Severance Pay Fund] and the FCVS; and with the financial imbalance of the social security and pension funds of state companies.

The existence of these debts jeopardizes the credibility of any macroeconomic adjustment program. This is so because market agents clearly perceive that at some time in the future this situation will have to be reversed. At that

time the government will be forced to increase the burden of taxes or of currency in order to honor commitments related to those debts.

This expectation has a denationalizing impact, causing leading businessmen, investors, and consumers to adopt defensive behavior.

President Itamar Franco's government admits that such actions against the economic crisis cannot be carried out without finding solutions for each of the great problems mentioned before.

These guidelines identify the federal government's proposals for dealing directly with those problems, ending a long tradition of accommodation.

3. Short-Term Guidelines

The control of inflation will depend on the appropriate implementation of traditional short-term economic policies, including fiscal, monetary, and money exchange policies.

But under the current institutional disorganization of the Brazilian economy, the area for handling these guidelines is very reduced, and consequently it will be necessary to expand the limits of action of those instruments as a prerequisite for the success of the short-term policy.

In other words, without fiscal reform one cannot talk about an active fiscal policy; without balancing the public accounts and reorganizing the Central Bank one cannot control the money aggregates; without paying the public debt it makes little sense to talk about fiscal and monetary policies which can lead to a lasting stabilization.

Conclusion: It is essential to appropriately handle the traditional short-term instruments. There will not be a permanent reduction in inflation and sustained resumption of growth if more effective reforms are not implemented.

The government's short-term strategy is based on four aspects: financial reform, fiscal reform, the proposal of solutions for the public debt, and structural reform. These are essential conditions for the resumption of growth.

The main elements of the government's short-term strategy will be directed by the following specified guidelines.

Fiscal Reform

The objectives of the fiscal reforms are designed to increase collection from the formal productive sector, to simplify the tax structure, to cut public expenses, and to make expenditures and collection efficient.

After approval by Congress the fiscal reform will have positive effects especially as far as expectations are concerned. As soon as economic agents are convinced that the government will not need to strongly pressure the financial markets, the expected inflation rate may lower, merely preventive price readjustments will decrease, and the financial markets will become more stable.

These and a series of other benefits will generate others, and in particular the Central Bank will be able to impose lower interest rates with the reduction in the government's pressures on the financial system.

Financial System Reform

The government, along with the Chamber of Deputies Special Committee, will define new regulations for the national financial system, in order to draw the Central Bank closer to the current model for classic central banks, and guarantee conditions for the Central Bank to correctly conduct its task of guaranteeing monetary stability.

The Central Bank's reorganization will enhance its independence in controlling monetary aggregates, and will remove from the Central Bank improper responsibilities.

Following a government initiative the consolidation of Treasury and Central Bank accounts, included in the agreement on foreign debt renegotiations, will be promoted. It will thus be possible to enhance the relationship between the Treasury and the Central Bank.

The implementation of the Master Plan for the Brazilian Capital Market [Plano Diretor do Mercado Brasileiro de Capitais], including the revision of the Law on Corporations (Law No. 6,404/76 and Law No. 6,385/76), will be pursued through the Securities Commission. Moreover, the government will pursue the implementation of the Master Plan for the Insurance, Capitalization, and Complementary Welfare System [Plano Diretor do Sistema de Seguros, Capitalizacao e Previdencia Complementar]. The reform of the Housing Financial System [Sistema Financeiro de Habitacao] will also be included in a proposal the government will send to Congress.

The actual submission of the aforementioned proposals will contribute to curbing inflation by allowing the Central Bank to implement another control on monetary expansion.

Solving the Public Sector's Liabilities Problem and Other Structural Problems

Brazilian society, and especially the economic agents, clearly perceive the existence of problems. Unless these problems are solved no government will be able to effectively control our country's fiscal policy.

The most important problems include the state sector's internal debts and the state sector's Treasury debts; the indebtedness incurred by the states, municipalities, and state-owned enterprises with federal organizations; Social Security's unrealistic structural financial imbalance; the currently insecure highlighting of pension problems linked to large state-owned enterprises; and the potential examples of many problems such as those involving the FCVS and the FGTS, which, if nothing is done, will have to be covered by the Treasury.

The government intends to gain the cooperation of Congress and all representative sectors of society in order to provide them with controllable solutions.

Enhancement of Structural Reforms

The Brazilian economy's crisis cannot be resolved in timely fasion by using classic methods—fiscal, monetary, and foreign exchange—alone.

There is the risk that these efforts might be frustrated by the establishment of the perverse balance in which a permanent recession is the price paid for a lower inflation rate.

Another risk in the effort to eliminate the public deficit by increasing taxes and cutting back on expenditures involves establishing a vicious cycle of more recession, fewer revenues, more public deficit, more inflation, more recession.

It is therefore essential to make the resumption of economic growth viable while making an effort to curb inflation. Economic growth will, however, not be resumed following the traditional pattern prevailing in Brazil before the 1980's, when the state's presence as producer, direct investor, or subsidizer of private enterprise was decisive.

In the new model the key words will be efficiency, competitiveness, and integration into the world economy. The government therefore confirms its commitments to improve and enhance privatization programs, to deregulation, and to the economy's progressive opening to international trade.

Fiscal Policy

The administration of our fiscal policy will continue to be marked by austerity in seeking to generate surpluses and to allow the government to progressively pay its short-term internal debt.

The government will not use the additional resources generated by the fiscal reform and the fight on inflation to finance new programs, as long as inflation is not clearly under control and its current levels significantly reduced.

Monetary Policy

Our monetary policy will continue playing a decisive role in preventing an inflationary explosion until the situation becomes decisively more favorable. This means that real interest rates will remain high.

In a second stage, our monetary policy will have degrees of freedom that will increase with the generation of a sustainable fiscal surplus. This will permit a reduction in basic interest rates.

When the Central Bank is reorganized it will have additional capacity to control money aggregates, and will be able to establish nominal goals for nonaggregate growth.

Exchange and Balance of Payments Policies

During a first stage, the exchange and balance of payment policies will have little room to maneuver, and conservative rules will be recommended.

Despite this reservation the external situation presents some positive aspects. Once we are liberated of the need to produce real devaluations of the cruzeiro and accumulated reserves, we will develop exchange and balance of payments policies in line with the need to maintain real exchange rates and reserve levels similar to the ones we currently have.

We should definitively avoid overvaluations of our currency and their negative impact on exports and employment levels.

Salary and Utility Rate Policies

A salary policy must seek to protect the purchasing power of the salary of workers who do not belong to unions, and must encourage negotiations between organized workers and managers.

In order to encourage this, the government will seek to introduce more flexibility into the way advanced wage adjustment indexes are determined under current laws, in order to gradually protect salaries' purchasing power more effectively.

The government salary policy will seek to guarantee for all public and private sector workers' salaries, as well as for minimum salaries, compensations, and pensions, a minimum index of adjustment every two months. In the private sector, increases greater than the index established by law will be sought through direct collective negotiations between the interested parties.

Utility rates will also be dealt with in two stages. In the first stage adjustments will be made in accordance with the inflation rate, avoiding real prices lower than those set in September 1992.

In a second stage—coinciding with the establishment of new bases and privatization and deregulation programs—utility rate adjustments will be considered part of an overall public company policy. These companies will be subjected to cost programs to benefit consumers.

Social and Anti-Recession Programs

These programs constitute a government recognition that the depth and duration of the Brazilian crisis have caused larger than acceptable sacrifices to the population, making necessary the implementation of compensatory policies to reduce the burden.

The adoption of these programs do not imply that the government does not recognize that the greatest sacrifice imposed on the population is that derived from inflation, or that the most "compensatory" policy is that which will again create conditions for economic growth.

The implementation of social and anti-recessive policies will thus be done so as to prevent inflationary pressures by ensuring adequate financing, and by maximizing its contribution to the recovery of growth.

Part Two

Guidelines for a Reform Program

This second part includes a detailed explanation of the government guidelines on the proposed institutional and structural reforms.

The government is firmly convinced that unless the reforms described below are implemented as soon as possible, it will be impossible to curb inflation or resume growth—at least not in a lasting way.

4. Fiscal Reform

Since the early 1980's, the situation confronting Brazil has been characterized by a progressive deterioration of the national finances and the appearance of deficit. Now, the financing of this deficit necessarily entails a major macroeconomic imbalance, the most detrimental effects of which are runaway inflation and economic stagnation.

Successive governments tried to correct that imbalance by having recourse to equivocal measures that sought to recover fiscal revenue at any cost. These measures were of little avail, as they ultimately led to implementing a tax system that discourages the creation of jobs, punishes savers, and hampers private investment.

From the distributive standpoint, the fiscal system became quite regressive and the burden of indirect taxation was considerably high. Many taxes are quite detrimental as they have a cumulative effect, and weigh heavily on production.

Looking at the fiscal system from another angle, namely simplicity, it leaves much to be desired. There are too many taxes, inconsistent tax percentages, and a great variety and number of tax incentives and exemptions.

President Itamar Franco's administration is well aware that this fiscal system is not suitable. This is the reason why it has submitted the Fiscal Action Program to Congress.

An immediate fiscal adjustment is only one of the objectives of the aforementioned program. It also seeks to overhaul the federal fiscal system, to fund constitutional reform inasmuch as the role of the state and national finances are concerned, to propose a number of measures to put our national finances on a sound footing, and to draft the necessary regulations for that fiscal system.

The immediate fiscal adjustment is geared to producing the necessary resources to balance the budget in ... long-lasting, streamlining, tax contributions, broadening the base of tax incidence, and reducing the negative effects of current taxation on economic activity. [sentence as published]

Among the most important changes proposed in the bill, let us mention on the one hand the elimination of the tax on manufactured products [IPI] levied on 10,000 products. This will enable nearly 130,000 Brazilian companies to reduce their tax burden by $1 billion.

With regard to income tax and corporate income tax, the new measures will do away with mandatory registration of accounting books in the case of 240,000 companies.

The elimination of two other taxes, namely supplementary income tax and the tax on retail sales of fuel, is still on the drawing board.

On the other hand, the bill proposes the establishment of new taxes such as the selective tax [imposto seletivo], a tax on capital assets [imposto sobre ativos], value added tax [VAT], and a provisional tax on financial operations [IPMF].

The selective tax, which will replace the IPI, was designed to ease the tax burden on the productive sector. It will be levied on cigarettes, beverages, vehicles, electricity supplied to factories, fuel, and telecommunications services.

The tax on capital assets will be levied on all corporate assets barring investments. Corporate income tax will be deductible from this new tax.

The main objective of the tax on capital assets is to help recover the tax base of corporate income tax, which is in disarray because of accounting chicanery.

Moreover, the bill establishes a social contribution from VAT. This will replace the social contribution from net profits, the one deducted from turnover, and that from PIS/PASEP [Social Integration Program/Government Employees Welfare Fund]. The tax yield of this new contribution will be appropriated for the Social Security Ministry and the National Bank for Economic and Social Development.

The social contribution on VAT ... commutativity and does away with double taxation. [sentence as published] It offers simplified options for taxpayers, will contribute to building up social security receipts, and puts an end to the current legal conflict in this field.

The government is considering whether to establish the IPMF. This tax will be assessed on the basis of withdrawals from banks' current accounts, savings accounts, financial investment funds, and special earning deposits.

With a view to not being too exacting on savers, the balance of savings accounts will receive additional credit whenever the cash balance is left in the savings account for more than three months. Workers' social security contributions will be lowered, and retirement contributions and jobless benefits will be increased in rates commensurate with the amounts needed to neutralize the effect of the IPMF.

An important advantage of this latter measure is that it will apply to banking operations by the informal economy.

The proposed fiscal reform also seeks to redefine the fiscal federal system in Brazil.

The new percentages to be allocated to the Appropriations Fund will be 19 percent for the states and the federal district; 21 percent for municipalities; and 2.3 percent for programs for funding the productive sector. These new percentages will guarantee that the amounts to be appropriated in 1993 will be the same or even higher than in 1992.

In addition to amendments to the Constitution, the implementation of legal measures seeking to increase revenue

resulting from income tax paid by corporations, which decreased by 40 percent in 1992, is also being proposed.

Income resulting from fixed-rate investment, equivalent to interest rates surpassing the UFIR [Reference Fiscal Unit] variation, should be collected exclusively at the time the operation is carried out, similarly to what is collected from individuals. It is also being sought that taxes on the income resulting from investments made in the stock market be levied separately, as in the case of individuals, thus allowing compensation for possible losses resulting from such operations.

The measures proposed for eliminating tax evasion include a provision authorizing only the Finance Ministry to request from financial institutions data on the financial operations conducted by people with whom they deal.

Fiscal exemptions should be granted to a government sector only through specific laws. Currently, it is common to deal with these issues through laws dealing with various matters, and which are not always judiciously analyzed from the point of view of society's interests.

This reform also seeks to grant to public entities conducting economic activities the same treatment regarding bankruptcy and composition of creditors that is granted to private companies.

This new treatment will allow public companies to transfer to the creditors the risks resulting from loans obtained by them, as occurs in the case of private companies.

The proposed amendments to the Constitution include a provision forbidding the governments of states and counties from requesting loans to finance their expenses until the year 2000.

5. Financial System Reform

The government will do its utmost to intensify debates leading to the drafting of a bill regulating Article 192 of the Constitution, which deals with the national financial system.

This issue is of paramount importance. Examining it within the overall framework of the economy shows, however, that to regulate the financial system in a coherent and long-lasting fashion, an indispensable task will be to consolidate and organize public finances (regulation of Articles 163 and 164 of the Constitution).

To this extent, special emphasis must be given to the establishment of clear legal definitions on the following issues:

1. To have the Central Bank of Brazil conform to the characteristics of a classic central bank, transferring to other institutions the attributions that are not those of a central bank.

2. To establish the specific duties of the Central Bank, the Securities Commission [CVM], and the Superintendency for Heavy Insurances.

3. To ensure absolute openness in Central Bank relations with the National Treasury and the treasuries of the states.

4. To clearly establish the responsibilities and the liquidity and solvency requirements with which all private and official financial institutions must without distinction comply.

5. To regulate relations between the financial institutions' comptrollers and those who request loans, and between state institutions and the governments of the states.

6. To meet the regulation needs on bank deposits and on insurance or surety funds.

7. To implement structural changes in the markets of insurance policies, capitalization, and in the open complementary social welfare system, as well as in the securities market.

In addition to congressional debates on the complementary bills, the National Treasury and the Central Bank will be consolidated (by transferring to the National Treasury a large portion of the foreign liabilities currently under the responsibility of the Central Bank). It will thus be possible to substantially reduce the size of the Central Bank Securities Department.

Assessment of Official Banks

Federal and state banks constitute over 50 percent of the national financial system, thus indicating excessive governmental participation in the sector.

The governmental financial system must be oriented exclusively toward areas in which a government presence is still indispensable.

In the case of federal banks, it needs to be reevaluated whether it is necessary or convenient to preserve all those now existing; whether each of these banks really acts as an agent of governmental credit policies; and whether all their offices are necessary, thus avoiding overlapping interests and preventing those offices carrying deficits from continuing to function.

Similarly, state government banks must be exclusively dedicated to their specific functions. The system must go through a profound process of improvement to ensure the reduction of the comptroller's political influence; the suspension of credit operations with the government, its entities, and companies; the consolidation of the office network within the government itself and the closure of offices carrying a deficit; an effective capitalization; an effective and professionalized administration; a more modern organization; and the implementation of a cost system.

Reorganization of the Capital Market

In addition to the aforementioned guidelines the government, through the Securities and Exchange Commission [CVM], will continue implementing the Master Plan of the Brazilian Capital Market. This refers to a number of deregulated items which are being promoted and are very important in allowing the growth of a market alternate to capital and loans as the capitalization source of companies.

It is essential to continue with the following measures:

1. Revision of the Law on Corporations, especially points referring to the publication of financial indicators; to the reduction in costs of opening capital to companies; to the revision of the distribution of regular and preferential shares; to the revision of dividends; to a guarantee of the right to withdraw; to the protection of minority share holders; and to the modernization of the law on debentures.

2. Revision of Law 6,385/76 on the redefinition of the concept of securities and titles; on strengthening the supervisory role of the CVM; on increasing administrative and monetary punishments imposed on infringers; and on increasing transparency with relation to institutional investors, especially to the pension funds.

Reorganization of the Insurance Market

Capitalization and Supplementary Welfare

In the same manner the government, through the Susep [Private Insurance Superintendency] and the Reinsurance Institute of Brazil, will continue implementing the Master Plan of the Insurance System, Capitalization, and Supplementary Welfare.

In this context, in accordance with the liberalizing trend which is intended for this system, the ideas of solvency posed by insurance and capitalization corporations must be improved.

The following represent important measures in the betterment of the brokerage service: the improvement of the organizational and administrative structure of Susep; the gradual deregulation of reinsurance; the reorganization of home insurance; and the effective implementation of supplementary long-term welfare.

The government also intends to replace the raffle system for hiring insurance companies for government goods and organizations. This raffle system will be replaced by a system of public bidding, following the DL [expansion unknown] system.

Reorganization of the Housing Finance System

There is a great need to promote profound changes within the structure and functioning of the Housing Finance System (SFH).

In view of the unbalanced situation of the SFH, and particularly due to the Compensation Fund for Salary Variations, FCVS, the government will work on two basic objectives:

—to bring back normalcy to the FCVS in terms of housing and the offset of contracts.
to minimize its potential deficit." [punctuation as published]

In this context, the tax on capital gains obtained by borrowers of the SFH is a matter of vital importance.

The FCVS deficit must be minimized through greater contributions, precisely by those people who benefit from the subsidies granted. It is believed that such action would be more just than having society shoulder the burden once the FCVS is guaranteed by [unfinished sentence as published]

Over the past few years, several factors have jeopardized the financing capacity of the Severance Pay Fund (FGTS) in the public housing, sanitation, and urban infrastructure areas; standing out are the high rate of withholdings of contributions by companies and the FGTS, the inability to honor outstanding debts by agents who collect resources, and the high flow of withdrawals from combined accounts.

The government, as a participant in the joint action of the FGTS, will adopt immediate measures to reverse the situation by improving control, by renegotiating the debts of collectors of FGTS resources, and by increasing funds available for programs financed by the FGTS by rechanneling resources from other sources, especially from the Fund for Social Development.

From a broader perspective, a new Housing Finance System must include two subsystems: one meant for the low-income population with a reduced or nonexistent repayment capacity, and another one for the population that can make the repayments necessary to maintain the system.

It is therefore necessary to establish rational adjustment criteria for the installments, preserving the repayment capacity of the borrowers and the financial balance of the contracts.

With the purpose of increasing the resources stemming from the capital market to finance not only commercial housing but also residences, the government will attempt to constitute Real Estate Investment Funds [Fundos de Investimentos Imobiliarios], the draft bill for which is being studied in the Senate.

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6. Settling the Public Sector's Liabilities

The public sector's net debt by late 1991 was estimated to be $146.7 billion, of which $55.9 billion was accounted for by internal debt and $90.8 billion by foreign debt.

Public enterprises, states, and municipalities are net internal debtors, and the government is the net creditor. The foreign debt is concentrated in the federal government, the Central Bank, and the national, state, and municipal public enterprises.

The large volume of outstanding debts and high level of inability to honor them are curtailing the degree to which economic policy can maneuver.

The government's domestic public debt, in Treasury notes, amounts to $105.6 billion. The rescheduling of this debt demands the payment of high interest rates, which burden the national Treasury as well as affect all other national interest rates.

The federal public enterprises are the largest debtors. Their gross debt in late October 1992 amounted to $93.4 billion. Approximately 64 percent of this gross debt was contracted by the federal electricity field and the Itaipu Binational Enterprise. The state electricity concessionaires are the greatest debtors of other public enterprises of the electricity field.

This situation inherited from previous governments needs to be solved, streamlined, and consolidated by reducing the level of indebtedness.

Efforts to reduce the debt must be shared by all government spheres and enterprises. These efforts entail avoiding new debts, rescheduling debts on new terms with guarantees of greater liquidity and easier terms of payment, and endorsement only of debts which can be honored.

Rescheduling and streamlining the finances of states, municipalities, and respective enterprises, as well of public enterprises, must be carefully monitored and audited. The system for auditing and monitoring expenditures will be reorganized.

Government Public Domestic Debt (DPMF)

DPMF (Treasury notes) stock in late October amounted to $105.6 billion. The Central Bank's pending debt notes were partly issued to honor the foreign debt deposited in the Central Bank, and partly to finance before 1990 the Treasury's fiscal deficit and heavy interest on the existing debt stock.

The real interest rate paid to reschedule the DPMF since October 1991 was approximately 2.2 percent per month, or 29.8 percent per year. Following the change of government the rate dropped, and now amounts to 1.95 percent per month or 26 percent per year.

The government policy's main objective regarding the DPMF will be to reduce its debt stock and interest, and outline its payment profile with the purpose of reducing the interest rate.

Regarding the DPMF and the Central Bank, the government seeks to establish a more clear relationship between the Treasury and the Central Bank, to extend the deadlines, and to reduce the debt stock and interest by implementing the following policies.

1. Transfer to the Treasury commitments related to interest in arrears from 1989/90 (in November 1992) and the medium- and long- term foreign debt (in mid-1993), with the corresponding redemption bonds [resgate], using the resources previously deposited in the Central Bank by the original debtors;

2. Payment of the Treasury Single Account to the Central Bank at a market interest rate;

3. Separate, in the Treasury Single Account, resources obtained from tax revenues and those from credits. Resources obtained from tax revenues may be used free of any restrictions, while credits may only be used to honor the public debt.

Rescheduling State and Municipal Debts

Some states and municipalities are highly indebted, and suffer a serious financial imbalance. State debts in April 1992 amounted to $49 billion, including their domestic debt. The inability to honor outstanding debts resulting from internal credits is quite severe.

On several occasions, states and municipalities resorted to the federal government for assistance to implement financial streamlining programs envisaged in Law No. 7,614/87, Law No. 7,976/89, and Law No. 8,388/91 without effectively normalizing the debt flow.

The financial deterioration, excessive indebtedness, and outstanding debt of the states and municipalities seriously harm the federal government's efforts to streamline the public accounts and to reach a macroeconomic balance with stable prices and a sustained resumption of economic growth.

The federal government intends to implement a financial streamlining program envisaging:

1. The refinancing of the expired and about to expire debts of states and municipalities, and the public companies they control, by extending the repayment periods with the purpose of establishing a positive flow of resources from the debtors to the federal government.

2. Increasing the liquidity, efficiency, and quality of the currently existing or foreseen guaranties and counter-guaranties [contra garantias].

3. Building an effective partnership with the states and municipalities in an effort to streamline public finances.

The following step is to improve Law No. 8,388/91 with the purpose of overcoming the difficulties created by the pending debt of the states and municipalities since 30 September 1991. The inclusion of the overdue and unpaid debts as of 30 September 1991 is a necessary condition for removing one of the main obstacles to the rescheduling of the debt. The total financial flow coming from each federal unit must be followed and analyzed in an overall and centralized manner. The establishment of universal and precise parameters so as to avoid any situation of privilege or arbitrariness regarding any given debtor must also be under a centralized control. The operational implementation of the renegotiation must nonetheless be decided by each specific creditor under the coordination of the federal government.

Federal State Companies

State companies' debts amount to $93.4 billion. The main debtors are the Electrobras [Brazilian Electric Power Company, Inc] Group and Itaipu Binational.

To a high degree, federal electricity companies' inability to pay their debts stems from the state energy distributor companies' failure to honor their commitments with federal companies. The government is examining the possibility of making a study of all electric industry and government debts in order to clean up the financial situation of the electrical industry.

In order to reach an effective and permanent balance in the industry's accounts, however, it is essential that the study include a revision of the institutional model in effect.

The proposed constitutional reform allowing public companies to fail and close down will reduce the burden on the government from inefficient public companies.

These measures, along with a broad program to improve efficiency, are important steps in the complete financial cleanup of state companies.

Social Security

The delays in regulating new constitutional rights and concessions granted in the new Constitution have postponed until 1992-1993 significant pressures on the social security treasury.

To obtain an idea of the repercussions of those measures, it is enough to point out that over 4 million individuals received more than twice the real value of their previous benefits following the establishment in September 1991 of the minimum salary as the basic compensation.

The delay in approving the new regulations created a large debt in compensations and pensions which, added to the 147 percent increase granted last year, put into jeopardy the financial capacity of the Social Security System.

As a result of the implementation of constitutional precepts, and of payments made as a result of lawsuits, it is estimated that compensation disbursements will increase by 13.5 percent in real terms in comparing 1992 with 1991, and 42.3 percent comparing 1993 with 1992.

The revision of salary policies will be another factor which could affect the balance of social security accounts during the same period. Any revision of the minimum salary greatly affects the financial situation of the Social Security System.

In view of this delicate financial situation the government is taking a series of steps aimed at improving the system's management and administration. The deficit anticipated for next year, without changes in salary policies, lies at 0.73 percent of the Gross Domestic Product. This fact demands the adoption of additional measures to balance the financial situation of the Social Security System, besides what is provided for in the fiscal reform project.

A substantial portion of our Social Security System's financial hardships will be adequately solved through the approval of the fiscal reform project which the government sent to Congress.

Internal Controls and Public Spending Auditing

The government's capacity to organize public budgets can be compared with its capacity to properly use resources. It is necessary to guarantee that funds will be used appropriately, efficiently, and efficaciously.

There is a marked deficiency in systems organized to this effect, and there is a consensus on the need to improve the internal control of each branch of government established by the Constitution.

The central government intends to implement the following short- term policies:

1. Redefinition of the current model for the internal control system, with adequate funds and more independence, and directing it toward actions that will encourage the implementation of economic principles and public spending's efficiency and efficacy;

2. Decentralization of auditing activities by moving responsibilities to offices located in the capitals of all states, with permanent and concurrent control and fiscalization of programs and public supervisors;

3. Development of indexes on managerial performance, in order to make possible an effective evaluation of government actions;

4. Creation of incentives to encourage the increase in productivity and quality in the area of executive branch internal controls, resulting in the rationalization of spending, economy in the management of public funds, and sanctions against managers whose performance lies outside the margins of established objectives and pertinent regulations.

Structural Reforms for a New Era of Growth

The program of structural reforms to recover economic growth is detailed in a separate document. Here we will mention only the basic guidelines of that program.

The government's present latitude in creating powerful incentives (of immediate action) for economic growth is very restricted.

This limitation justifies caution in anti-recessive policies centered on expanding exports, and gives more incentive to agricultural production and civilian construction, which need financing in a rigorously non-inflationary manner.

This short-term strategy stresses the importance of creating the bases for a return to sustainable growth. This goal will demand deeper reforms in eliminating as much as possible the dependence of private investments on public finances.

Only if this condition is dealt with will it be possible for the country to return to the path of economic growth, even before the public administration completes its financial adjustment program.

The importance of growth is enormous, because any evaluation of the public sector's financial difficulties will inevitably take us to the conclusion that the complete cleanup of public finances is a task that will take many years, and is a practically impossible task except within the context of a growing economy.

It is hereby suggested that the Brazilian economy is currently being subjected to a vicious cycle in which the financial imbalance of the public sector is fueling inflation, paralyzing investments, and leading therefore to stagnation.

The resumption of growth thus appears to be a necessary condition for permanently eliminating inflation. In order to break the vicious cycle described above, it is essential that the reactivation of the economy not exert additional pressures on public finances.

The solution to this impasse consists in developing sources for the encouragement of private investment, and consequently the resumption of growth, without increasing public expenses. The Itamar Franco administration's agenda for structural economic reform must therefore be understood within this context.

An essential component of this agenda is the National Privatization Program [Programa Nacional de Desestatizacao] (PND), which will be improved. Within this new concept the PND will be considered part of a policy through which the government intends to build a new economy, with solid, agile, and competitive enterprises.

Foreign capital will be allowed greater participation, and the privatization policy will be integrated with industrial policy.

The deregulation program will be improved and accelerated with the purpose of encouraging competitiveness among enterprises, envisaging greater levels of productive efficiency. The government will not overlook protecting competitiveness and the consumer so as to prevent economic abuse in the deregulated markets. Reduced costs as a result of deregulation will constitute a stimulating factor for the expansion of production on solid bases.

The foreign trade opening program will also be maintained, and the already agreed upon timetable for the reduction of tariffs by July 1993 will be maintained.

This greater trade opening is also a precondition for strengthening the ties linking the Brazilian economy with the rest of the world, allowing Brazil to receive a large inflow of foreign investment.

Guidelines for Government Action

The document presents a strategic vision of Brazilian development for the next 18 years. It is a conceptual document, and its objective is to resume, on more fair social and more democratic political bases, the government's concern with medium- and long-term planning in keeping with the short-term plan.

Developmental Concept

The developmental concept presented here is that of a resumption of growth centered around combating poverty. The three bases of this developmental strategy are:
1. Productive Transformation—supporting the economic strategy;
2. Prioritize Basic Training—supporting the social strategy;
3. Universal Society— supporting the political strategy.

Government participation in the social and economic infrastructure fields must be progressively decentralized in favor of the states and municipalities, increasing the participation of community and private initiative.

Directly productive activities and, to as much an extent as possible, those activities connected with the economic infrastructure, must be market-oriented and carried out by the private sector. This objective will be attained through privatization and through increasing private investment in fields currently controlled by the government.

Strategic Actions

Economic Strategy

Objective: The structuring of a productive, modern, competitive, and market-oriented system, placed within the international economy and capable of sustained growth.

The central program of the economic strategy is the productive restructuring, which envisages:
1. Consolidation of already acquired advantages; and
2. Development of new comparative advantages through the mastering of advanced technologies.

Complementary Action Guidelines for the Success of the Productive Restructuring
a) reconstruction of the National Science and Technology System;
b) modernization of the basic infrastructure: transportation, energy, and telecommunications;
c) training of human resources.

The productive restructuring will demand a deep review of the long-term investments financing system and the consolidation and extension of the resources of the BNDES [National Bank for Economic and Social Development], FINEP [Funding Authority for Studies and Projects], and regional banks based on a reevaluation of the functions of the entire public banking system.

The economic strategy foresees the maintenance of the economic opening program, and broad support to the productivity and competitiveness programs of enterprises.

Coordination with the Short-Term Policy

Stabilization is the main objective and precondition for sustained growth. The government seeks to redirect available resources to investments and programs that can generate jobs and improve the lives of the underprivileged.

Strategic Areas and Actions

1. Exports
—maintain a realistic policy of change;
—expand the financing mechanisms;
—promote bilateral commercial relations, especially Mercosur [Common Market of the South];

2. Food Production
—maintain current agricultural policy;
—promote the major participation by private banks in the financing of production;
—strengthen rural technological research.

3. Civilian Construction
—promote housing construction and sanitation in coordination with the states and municipalities;
—prioritize the restoration of highway networks.

Social Strategy

Basic objective: a widespread dissemination of elementary education with the joint participation of the union, states, and municipalities.

Labor:
—prioritize the allocation of Union Budget funds for programs intended to increase employment.

Health and Social Welfare:
—consolidate the Single Health System;
—strengthen the decentralization process of states and municipalities;
—promote public and private participation in the social welfare area in keeping with the public, basic, and universal system;

—improve assistance by eliminating bureaucratic procedures by preventing the evasion of prescriptions, and by repressing frauds affecting benefits.

Fight Against Poverty:
Assistance to the underprivileged must encompass all areas of government action, in order to expand access by the poorest sectors to essential products and services.

Programmed Assistance Activities

In the health area, assistance activities provide for the distribution of foods and medicines. School lunches and the supply of teaching materials are actions intended to complement the education policy. Reduced utilities rates, the supply of construction materials, and more favorable conditions for obtaining housing credits are included in the government policy. The agricultural area provides for differentiated mechanisms for access to the land, technical assistance, and rural credits.

Political Strategy

Basic objective: to broaden the citizenship through the state reform process and consolidate the democratic process.

Organization of National Space

Environmental, urban, and regional matters will be considered within the development program. It is necessary to establish a new and more balanced relationship between the people and their environment, to reduce regional disparity, and to order urban areas.

Environmental Strategy

—observe the polluter-victim principle;
—discourage economic activities that harm the environment;
—officially regulate potential polluting activities;
—establish a standard administrative control;
—sanction polluters.

Regional Strategy

Objective: to engage peripheral regions in the general process of national development.

Actions:
—reorganize the economic activities in the regions, taking into consideration their potential and their links with the rest of the country;
—improve the link between investments in productive activities and investments in the transportation infrastructure.

It will be necessary to create autonomous growth sources in the Brazilian northeastern and Amazon regions, be it by direct government action or by encouraging private investments.

Northeastern Region

—formulate joint programs between the federal government and the states, reviewing and strengthening the coordinating action of Sudene [Northeast Development Superintendency] Deliberating Council and the Northeastern Bank [Banco do Nordeste];
—reevaluate the functions of Sudene to reinforce the planning and research characteristics of its institutions;
—reinforce the Northeastern Bank as a development bank and resource-attracting institution;
—reinforce and integrate the productive base of the region by encouraging irrigation, restructuring traditional industries, and reorienting the productive structure toward more developed sectors such as technology, plastic and ceramic materials, and tourism.

Amazon Region

—encourage intensive exploitation of resources, taking into consideration the environmental impact;
—reinforce regional technological training;
—create an Amazon Protection System and a border occupation policy.

Urban Strategy

The growing urbanization process of the Brazilian population has caused the collapse of basic public services. The urban strategy must in the short term execute compensatory social policies in the peripheral regions of the large cities.

Actions:
—execute urban social programs by prioritizing the expansion of urban plots, and by improving housing and urban conditions in the slums;
—transform infrastructure investments into productive activities envisaging urban decompression;
—encourage the establishment of development centers in the interior.

State and Society

The division of work between the public and private spheres is urgent and necessary. The government considers it very important to continue and to improve the National Privatization Program, envisaging the restructuring of the Brazilian productive industry. The following points will be reexamined:
1. making the privatization model compatible with the industrial model;
2. cash payments in privatization transactions;
3. the inclusion of public services rendered under concession systems in the PND;
4. making the participation criteria for foreign capital more flexible; and
5. improving legal and operational mechanisms.

Colombia

Police Capture Medellin Cartel Leader

PA0701002993 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 2300 GMT 6 Jan 93

[Text] On 6 January, police dealt another harsh blow to the Medellin Cartel. They arrested Leonidas Vargas in Cartagena. He is one of the organization's key men. Vargas was also a Gonzalo Rodriguez Gacha lieutenant and was being sought for illicit enrichment.

At the same time he won at roulette, he lost his freedom. Authorities caught the Old Man or El Guara, as he is known among his people, by surprise at a luxurious casino in Cartagena early on 6 January.

Twenty days ago, a GOES [Special Operations Group] commando unit traveled to Cartagena to follow his steps. According to a report received in Post Office Box No. 7777, Vargas used to go to Cartagena during this time of the year to enjoy the pleasures of life and gamble in the big casinos.

In a letter, an informant noted that Vargas was traveling around the country with his bodyguards without any problems. He added that he is a criminal of the worst kind in Colombia and that, with his money, he corrupts and harms our children.

The informant added: Catch him now that he is being very trusting.

[Begin Luis Enrique Montenegro, director of the Judicial Police and Investigations Directorate, DIJIN, recording] We had to verify the person's identity as people change their features. We had to confirm that the person we had was truly Vargas. [end recording]

Vargas was arrested more than three times before for several crimes, including illegal weapons' possession, but the judges had set him free because of a lack of evidence. However, the situation seemed to be quite different now.

[Begin Prosecutor General Gustavo de Greiff recording] According to reports we have, he was linked to Rogriguez Gacha's organization and with Escobar's groups lately. He was charged with illicit enrichment but had managed to evade justice. [end recording]

According to a DIJIN report, his records show several previous crimes.

[Begin Montenegro recording] There was a case against him at the 48th Criminal Municipal Court for corruption of minors. A document notes that Vargas has been caught carrying false documents several times. [end recording]

Intelligence reports also link Vargas to the Poppy Cartel and to the killing of several members of the public force, as well as other people.

Government Issues Internal Disturbance Decrees

PA0701021093 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 2300 GMT 6 Jan 93

[Report by Azucena Lievano]

[Text] The year's first Council of Ministers meeting was held on 6 January and new internal disturbance decrees have been issued. The measures strive to control the theft of gasoline and punish those who use, or facilitate, communication systems to perpetrate crimes. The first decree refers to the control of weapons and bullet-proof vehicles, authorizing military commanders to cancel weapons permits and deciding who may use a bullet-proof vehicle.

[Begin Defense Minister Rafael Pardo] It authorizes officials who grant weapons permits to revoke those permits and to demand the deposit of weapons whose possession had been previously authorized, if the use of those weapons has been limited by the revocation of permits. Those weapons must be deposited at a military facility. We will also establish mechanisms so people who can use a bullet-proof car—for example, a company or a family—are registered with the appropriate authorities. [end recording]

Sanctions for those who fail to abide by the measures include seizure of the vehicle, annulment of the permit, and a fine. The same goes for communication systems, including radio telephones and beepers, because authorities believe these instruments are used to perpetrate crimes.

[Begin Communications Minister William Jaramillo recording] We will establish controls to guarantee registered users, specifically referring to beepers, are the only ones who use the instrument. [end recording]

Companies must issue identification papers which prove the person carrying the beeper is the only one authorized to use it. Otherwise the license will be canceled and judicial sanctions might be decreed.

The last decree refers to measures aimed at preventing the theft of gasoline, which frequently occurs at the refineries between Cartagena and Barranquilla; Santa Marta and Barrancabermeja; and Barrancabermeja, Cali, and Medellin—where thefts total $15 million.

[Begin Energy Minister Guido Nule recording] Crimes involving the theft and transportation of gasoline and liquid fuel will be handled by regional civil judges. [end recording]

Sixty days after the state of internal disturbance was decreed throughout the country, the government thus completes 17 decrees with important measures aimed at controlling public order throughout the country.

Government Reorganizes Defense Ministry

PA0601164693 Santa Fe de Bogota EL TIEMPO in Spanish 30 Dec 92 p 12a

[Text] On 29 December the government created the National Defense Deputy Ministry, the Internal Auditorship for Control and Coordination of Private Security Services [Auditoria Interna de Control y Coordinacion de los Servicios de Vigilancia Privada], and the Superior Council of National Security and Defense [Consejo Superior de Seguridad y Defensa Nacional].

The National Defense Deputy Ministry will act as a coordinator for decentralized organizations under the Defense Ministry and will be responsible for ensuring the proper operation of such organizations.

It will thus control institutions such as the Tequendama Hotel, the Fund of Retirement Payments [Caja de Sueldos de Retiro], the Military Industry (Indumil), and 17 other Defense Ministry institutes.

Defense Minister Rafael Pardo said the national defense deputy minister will neither be part of the chain of command, have operational duties, intervene in planning military actions, nor interfere with the Armed Forces hierarchy.

The creation of the National Defense Deputy Ministry is based on decrees for state modernization. This is the first time the ministry, which has been occupied by military officers, will have a deputy minister.

The Internal Auditorship, which will be the top authority over and the controlling agent of private security services, is part of the ministry reorganization program.

The Division of Judicial Affairs [Division de Negocios Judiciales], which specializes in legal matters, will defend the armed forces and national police in lawsuits filed against those institutions for alleged service deficiencies.

The National Service of the National Army (Senar) will be eliminated through a dissolution decree, but military and civilian employees and officials will be relocated to other positions within the National Navy. Minister Pardo said there will be no personnel reductions in any of the restructured institutions.

The National Security Council and the Superior Council of National Defense will also be reformed. The Security Council was chaired by the government minister and included the defense, justice, and communications ministers; the directors of the national police and Administrative Department of Security; and the Army commander.

The Superior Council of National Defense was chaired by the defense minister and included the commanders of the Army, Navy, Air Force, and Police.

According to the executive branch, the existence of two councils resulted in unnecessary work duplication, something that will be corrected with the merger creating the Superior Council of National Security and Defense, which will be chaired by the chief of state and will have the mission of establishing general policies in its field of action.

Regarding the national police, the executive branch has created the Special Services Directorate [Direccion de Servicio Especializado], which according to Pardo will pilot the various services that are being provided and that will continue being provided, such as the traffic police, the ports police, and the controls police.

The new directorate responds to the need to coordinate the operations of the various specialized services.

The Operational Directorate of the National Police is now in charge of managing the police departments, the Metropolitan Police, and the special services.

Government Begins Programs To Protect Judges

PA0601144593 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1630 GMT 5 Jan 93

[Report by J.J. Pinilla]

[Text] A salary increase for judges seeks to dignify the work of these officials and deals a blow to drug traffickers and guerrilla groups, who have always tried to pay for judicial decisions. This type of pressure is nothing new to the judicial branch, which has had to endure many corruption-ridden processes for many years.

After the assassination of Justice Minister Rodrigo Lara Bonilla, Attorney General Carlos Mauro Hoyos, and Supreme Court Justice Hernando Baquero Borda, the judicial branch was determined to accomplish two objectives. One was the overall security of its members and the other was fair salaries that would prevent them from faltering under pressure.

Facts have shown the judge was always caught between a rock and a hard place. If he did not yield to pressure, he would end up dead. As a result, the government recognized the problem and did not limit itself to only raising wages. It also improved security measures for judicial officials, established faceless judges, assigned more bodyguards and armored vehicles, and established new mechanisms to curb criminal attacks.

According to the government, the new institutions created by the 1991 Constitution, such as the Office of the Prosecutor General of the Republic and the High Council of the Judiciary, will help to accomplish the objectives proposed by the Constituent Assembly to rid the judicial branch of the nickname "Cinderella."

Paraguay

National Encounter Views Chances of Accord

PY0601142293 Lambare Paraguay Radio Cardinal in Spanish 0900 6 Jan 93

[Excerpt] Political accord has become a turbulent topic in the Paraguayan political world.

[National Encounter Movement leader] Guillermo Caballero Vargas favors accord with the Authentic Radical Liberal Party [PLRA], but with certain reservations.

The prevailing concern is that just four days ago [PLRA presidential hopeful Domingo] Laino completely disqualified the National Encounter Movement.

Caballero Vargas referred to this when he spoke about Laino's offer to discuss a political accord:

[Begin Caballero Vargas recording] Laino's remarks about putting aside his personal interest as a presidential candidate in favor of democracy and the country of course merit our total respect.

What worries us is that just four or five days ago he made remarks, which were published by the newspaper NOTICIAS, in which he completely disqualifies the National Encounter, including its leaders. This worries us because one cannot go around saying things that are totally contradictory.

For example: On the subject of programs, it can clearly be seen that we have our program, a fact which Laino has acknowledged. What concerns me is that they are not ready to enter a discussion on programs, because to my knowledge they do not have a project. I have heard that they are trying to draft a project. Thus, for the time being there is no possibility of discussing programs if one of the parties does not yet have its program to offer the people. This is what concerns us. [end recording] [passage omitted]

Peru

Fujimori Delays Swearing In of Economy Minister

PA0601224493 Lima Radio Programas del Peru Network in Spanish 2210 GMT 6 Jan 93

[Text] President Alberto Fujimori has unexpectedly postponed the swearing in of the new economy minister and the ratification of the cabinet headed by Oscar de la Puente Raygada. Prior to this, the president received the visit of economist Raul Salazar, who was the head of the economic program of the former Democratic Front, at the Presidential Palace for more than an hour. No official information was given on the topics they discussed.

New Minister To Be Sworn In 8 Jan

PA0701152793 Lima Radio Programas del Peru Network in spanish 1454 GMT 7 Jan 93

[Text] The new economy minister will be sworn in on 8 January. Oscar de la Puente, president of the Council of Ministers, has told this station from Santiago, Chile that the name of the new economy minister will be announced on 7 January.

[Begin De la Puente recording] We have held an extensive meeting with the president and all the ministers. We exchanged opinions on the new government programs in this second phase after the installation of the Democratic Constituent Congress and the establishment of the system of separation and balance of powers. The decisions are obviously up to the president. The recommendations formulated by the president of the Council of Ministers, as well as the opinion of the other members of the cabinet, leave the president free to make his decision.

Up to 6 January, there was still some uncertainty about the president's final decision. We estimate that sometime on the morning of 7 January, after we hold a telephone conversation with him, we will have the final decision on the appointment of the new economy and finance minister and perhaps in two or three days, after my return to Lima, we will announce the appointment of the new transportation and communications minister. [end recording]

New Armed Forces Chief of Staff Recognized

PA0601234193 Lima Radio Programas del Peru Network in Spanish 2303 GMT 6 Jan 93

[Text] Army Division General Jose Cabrejo Samame was recognized as new chief of staff of the Armed Forces in a strictly military ceremony.

General Nicolas de Bari Hermoza Rios, president of the Joint Command of the Armed Forces headed the ceremony, which was attended by top military officers.

General Arciniegas Comments on Asylum Request

PA0601160493 Lima Global de Television Network in Spanish 0000 GMT 6 Jan 93

[Excerpt] Retired Brigadier General Alberto Arciniegas has sought asylum at the Argentine Embassy, citing security reasons for his request. Brig. Gen. Arciniegas made his request at the Argentine Embassy in Lima hours after the Defense Ministry decided to try him for insulting the Army and for lack of respect for General Nicolas de Bari Hermoza Rios, chairman of the Armed Forces Joint Staff.

Arciniegas personally announced his request in his last contact with the media. He said he decided to take this measure for security reasons, to protect his family, and because he does not want his case used for political purposes.

The president referred to Arciniegas' case on 2 January, criticizing him for sentencing Colonel Alejandro Briceno—guilty of embezzlement in the military industry—to one year in prison. The president added that Col. Briceno should have served 12 years for stealing $12 million.

Arciniegas rejected that accusation. He also denied he had become rich while he was a military commander in Alto Huallaga. He claims that nothing is being done to change the coca producers' situation, and 80 percent of them now produce basic cocaine paste.

Arciniegas later stated that he will not return to the Army, adding that he opposed the 3 November military coup because he disagreed with the goals of General Jaime Salinas Sedo, who is currently being tried by a military court.

Here is what Arciniegas and Foreign Minister de la Puente had to say about the case:

[Begin recording] [Gen. Arciniegas] My bodyguards were removed on 5 January, so I do not want to compromise my family any longer.

[Unidentified reporter] Is that why you decided to leave, or is it because of the trial against you, sir?

[Arciniegas] No, I have nothing against the trial because it stems from insults against a superior. It is due to statements I have made, and any judge can assert this in any trial. The papers are there and can be submitted, but I do not think it will go any further.

[Reporter] Who will be your lawyer?

[Arciniegas] God and the archangel still protect me. Doctor Jorge Avendano, who was recently elected dean of the National Bar Association, will be in charge of my case. [passage omitted]

De la Puente on Asylum Request, Visit to Chile

PA0601160593 Lima Radio Programas del Peru Network in Spanish 2321 GMT 5 Jan 93

[Interview with Oscar de la Puente Raygada, foreign minister and president of the Council of Ministers, by Carlos Alvarado; place and date not given—live or recorded]

[Excerpt] [passage omitted] [Alvarado] Mr. Minister, what information do you have on Brigadier General Arciniegas' request for asylum at the Argentine Embassy?

[De la Puente] As the ambassador is absent, the charge d'affaires told me a few minutes ago he is submitting a note on the matter. The information has been publicized by the media, but no official request for safe-conduct has been received from the Argentine Embassy. We have done a preliminary evaluation of the existing alternatives, and I do not think there should be any problem in granting a safe-conduct to retired Brig. Gen. Arciniegas when the Peruvian Government receives the official note from the embassy. An audience has been requested. The document, which is a formal and official note, should be delivered early on 6 January following the evaluation. As I said, I do not think there will be any problem in granting the safe-conduct in view of the Argentine Government's recognition of asylum.

[Alvarado] I have a specific question, Mr. Minister. You will travel to Chile on 6 January. What specific topics will be discussed there?

[De la Puente] The delegation is quite large. It includes not only me but also four deputy ministers of interior, transportation, communications, and industry and integration. The mission also includes members of the productive forces, banks, associations of industries, association of exporters, and cultural organizations. It is a large delegation seeking, in principle, to strengthen bilateral relations with our neighbor Chile. We need to strengthen our relations. President Fujimori has been planning a visit to Chile since last year. The visit had to be postponed because of the 5 April incidents. In this case, my visit, independent of the revitalization efforts at the Foreign Ministry level, is aimed at formalizing the reiteration of the Chilean Government's invitation to our president so President Fujimori can make an official state visit to Chile in the second half of this year. We will discuss cultural topics, the strengthening of business, financial, and international ties, and the development of the privatization process by Chilean companies interested in investing in Peru. It is really a hectic agenda involving three days of work. I think Chile and Peru will emerge strengthened from this visit.

[Alvarado] Thank you. [passage omitted]